Selected Decisions of the International Monetary Fund and Selected Documents

Thirteenth Issue
International Monetary Fund

Washington, D.C.
April 30, 1987
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PREFACE

This volume is the Thirteenth Issue of *Selected Decisions of the International Monetary Fund and Selected Documents*. It contains the decisions, interpretations, and resolutions of the Executive Board and the Board of Governors of the International Monetary Fund, and related documents, to which frequent reference is made in the current activities of the Fund. In addition, the volume contains certain documents relating to the Fund and the United Nations. With few exceptions, the decisions are of a general nature and relate to certain obligations, policies, and procedures under the Articles of Agreement.

This issue contains most of the decisions published in the Twelfth Issue that remain in effect, as well as new general decisions adopted after the publication of the Twelfth Issue. Decisions of the Fund that are incorporated in the Rules and Regulations are not reproduced in this volume.

Wherever reference is made in this volume to provisions of the Fund's Articles or Rules and Regulations that were renumbered by, or because of, the Second Amendment of the Fund's Articles of Agreement (effective April 1, 1978), the corresponding provision that is in effect at the present time is cited in a footnote.

FRANCOIS P. GIANVITI
Director
Legal Department
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* Corresponds to Article XV, Section 2 before the Second Amendment.
Selected Decisions of the Executive Board
and
Related Documents
ARTICLE III

Quotas and Subscriptions

ADJUSTMENT OF QUOTAS

The first interval of five years, at the end of which the Fund shall review the quotas of the members in accordance with Article III, Section 2, began on the date when the Fund Agreement, in accordance with Article XX, Section 1,* entered into force; i.e., on December 27, 1945.

Decision No. 408-2
March 11, 1949

[For increases in Quotas of Members—Eighth General Review, see pages 431-39.]

GOLD AND CURRENCY SUBSCRIBED TO THE FUND AND ACCOUNTING BY MEMBERS FOR TRANSACTIONS WITH THE FUND

The following principles should be observed by members in reflecting their participation in the Fund in their accounts:

(1) Gold and currency subscribed to the Fund are clearly within its unrestricted ownership. They do not belong in any way to the subscriber.

(2) Although the accounting practices of a member are primarily its own concern, each member should prepare its accounts in such a way that misconceptions as to the ownership of the gold and currency subscribed to the Fund would be avoided..................

.................

Decision No. 170-3
May 20, 1947

*Corresponds to Article XXXI, Section 1 of the Articles of Agreement after the Second Amendment.
Guidelines on Payment of Reserve Assets in Connection with Subscriptions

The Executive Board approves the draft "Guidelines for Determining the Amount of Reserve Assets to Be Paid in Connection with Subscriptions" set forth [below].

**Decision No. 6266-(79/156)**

**September 10, 1979**

**Guidelines for Determining the Amount of Reserve Assets to Be Paid in Connection with Subscriptions**

The following are proposed for adoption by the Executive Board as guidelines for Committees of the Executive Board when considering the amount of a subscription that should be paid in reserve assets:

1. These guidelines shall be taken into account by a Committee of the Executive Board established to consider an application for membership in the Fund or to consider a request for an increase in quota that is made outside the framework of a general review of quotas. In applying the guidelines, a Committee shall pay due regard to present and prospective economic and financial circumstances of the country concerned.

2. In view of the requirement of Article II, Section 2, that the terms for membership, including the terms for subscriptions, shall be based on principles consistent with those applied to other countries that are already members, new members will be expected to pay a part of their initial subscription in reserve assets. The payment of reserve assets in connection with the initial subscription of a new member is largely a matter of exchanging one form of reserves for another.

3. The amount of the subscription to be paid in reserve assets shall be determined in the light of all the payments of reserve assets made by existing members and the country's external reserve position at the time of membership.
4. A reasonable approximation of the amount of the subscription that has been paid in reserve assets in the past is the average of all reserve assets actually paid in terms of the quotas of all members, rather than the proportions paid in the past by individual members. In making the calculation of the reserve assets to be paid, account will be taken of the repurchases made in the past by members, including those made in accordance with Schedule B of the amended Articles, and of sales of the currencies of members made to reduce to that level the amounts of the member's currency paid in excess of 75 per cent of quota by a member that had joined the Fund before the date of the Second Amendment.

Taking into account the asset payments made by all members in connection with the Sixth General Review of Quotas and adding them to the sum of asset payments taken as the equivalent of 25 per cent of total quotas as of the date of the Second Amendment, the reserve asset payments made by all members average 20 per cent of present quotas. In the event that all eligible members consent to the full increases in their quotas approved under the Seventh General Review of Quotas and taking into account that 25 per cent of any increase in quotas is to be paid in SDRs (or acceptable currency for nonparticipants), the reserve asset payment made by eligible members will average 21.7 per cent of total quotas.

Consequently, for the period prior to the coming into effect of the quotas approved under the Seventh General Review of Quotas, the reserve asset payment for a country applying for membership can normally be expected to be of the order of 20 per cent of its initial quota; after the Seventh General Review is completed, the reserve asset payment for a country applying for membership would rise to the order of 21.7 per cent of its initial quota.

5. Normally, countries joining the Fund would be expected to make a payment of reserve assets in the amount, in terms of quota, calculated along the lines outlined in paragraph 3 above.
However, consideration may be given, at the request of a prospective new member, for a payment of reserve assets smaller than the average size of such payments in terms of all quotas. In exceptional circumstances, and in light of the actual and prospective balance of payments and gross reserve position of the prospective member (including its ability to acquire or mobilize external financial assets and also any allocations of SDRs that might be in prospect) at the time its application is being considered, the size of the reserve asset payment may be reduced, provided that it is not less than the equivalent of 10 per cent of the member's gross reserves or 10 per cent of initial quota, whichever was the higher.

6. In determining the amount of the reserve asset payment, account should also be taken of the effect the size of such payment would have on the remuneration that might be payable to the new member. This factor would ameliorate a higher reserve asset payment in terms of quota because the acquisition of a remunerated reserve tranche position would tend to ease the loss of interest income involved in the payment of a reserve asset. However, there may be circumstances where the new member has a reserve level somewhat below the average level of all members or when other features of its external financial position would seem to call for some mitigation of the payment. In such circumstances, the norm for remuneration could be applied for the new member rather than the average of reserve asset payments made in the past noted in paragraph 3 above. As the norm for remuneration is likely to rise over time, the applicability of this approach would need to be kept under review and would be subject to the minimum payment in paragraph 5 above.

7. As regards the amount of reserve asset payments to be made in connection with ad hoc increases in quotas which occur outside a general review of quotas, and to the extent that such increases are effectively a "catching up" of the quota increases already granted to other members in past general reviews, the amount of the reserve assets to be paid shall be based on the amount of
reserve assets required as a result of such past general reviews. For other ad hoc increases, if any, the amount of the reserve asset payment shall be equivalent to 25 per cent of the increase in quota.

8. As regards the media of payment, payments of reserve assets shall be made in SDRs to the maximum extent practicable or in a currency that is acceptable to the Fund and which is included in the operational budget as a currency that could be sold on a net basis for the foreseeable future.
ARTICLE IV

Exchange Arrangements

NOTIFICATION OF EXCHANGE ARRANGEMENTS UNDER ARTICLE IV, SECTION 2

1.* .................................................................

2. The procedures set forth in Section IV of SM/77/277 [attached] are approved, and members shall be guided by the considerations in Section IV with respect to the prompt notification of any changes in their exchange arrangements.

3.* .................................................................

Decision No. 5712-(78/41)
March 23, 1978

Attachment

Section IV of SM/77/277

IV. Issues Connected with Subsequent Notification

Once the procedures for initial notification have been clarified, only a few issues remain to be dealt with in respect of subsequent notifications. One of these is the question of what would constitute a change in an exchange arrangement requiring notification. Clearly, any official action involving the adoption of a different type of arrangement would require notification. Furthermore, in cases where a member pegs its currency, it would be appropriate to notify the Fund of all changes in the peg; this would include not only every change in the central point around which a member was maintaining margins, but also those involving a change in the composition of a composite, other than one occurring from a redistribution of currency weights on the basis of newly available trade or payments data.

For members with flexible exchange arrangements, it is more

*Not included in this volume.
difficult to specify changes which will require notification to the Fund. For members classified as fixing the rate according to a set of indicators, it would seem an appropriate rule that they communicate to the Fund details of any discrete exchange rate changes that are not consistent with the changes produced by the set of indicators. It would also be expected, if the suggested approach outlined earlier in this paper is accepted, that all members maintaining flexible exchange arrangements be asked to notify the Fund whenever the authorities have taken a significant decision affecting such arrangements. This would involve, as a minimum, notification of such decisions whenever public policy statements have been issued. In addition, in any instance in which the Managing Director considered that a significant change had occurred in a member’s exchange policy (including intervention arrangements), and no notification has been received from that member, he would consult with the member to request information on the background to such developments. If considered appropriate, a formal notification of the change would be sought from the member.

Members would be expected to inform the Fund of all actions involving exchange taxes and subsidies. Indeed, under Article VIII, Section 3, members will continue to be required to request prior Fund approval of any multiple currency practices that may be involved in such actions.

Upon receipt of notification of a change in exchange arrangements from a member the staff would circulate it to the Executive Board. If the Board wishes, it could continue to be the normal practice that whenever a change is significant, its communication to the Board would be followed promptly by a staff paper describing the context of the change in policy and giving the staff’s assessment.

SURVEILLANCE OVER EXCHANGE RATE POLICIES

1. The Executive Board has discussed the implementation of Article IV of the proposed Second Amendment of the Articles of
Agreement and has approved the attached document entitled "Surveillance over Exchange Rate Policies." The Fund shall act in accordance with this document when the Second Amendment becomes effective. In the period before that date the Fund shall continue to conduct consultations in accordance with present procedures and decisions.

2. The Fund shall review the document entitled "Surveillance over Exchange Rate Policies" at intervals of two years and at such other times as consideration of it is placed on the agenda of the Executive Board.

Decision No. 5392-(77/63)
April 29, 1977, as amended by
Decision No. 8564-(87/59), April 1, 1987

Surveillance over Exchange Rate Policies

General Principles

Article IV, Section 3(a) provides that "The Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations under Section 1 of this Article." Article IV, Section 3(b) provides that in order to fulfill its functions under 3(a), "the Fund shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies." Article IV, Section 3(b) also provides that "The principles adopted by the Fund shall be consistent with cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, as well as with other exchange arrangements of a member's choice consistent with the purposes of the Fund and Section 1 of this Article. These principles shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the
EXCHANGE ARRANGEMENTS

circumstances of members." In addition, Article IV, Section 3(b) requires that "Each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies."

The principles and procedures set out below, which apply to all members whatever their exchange arrangements and whatever their balance of payments position, are adopted by the Fund in order to perform its functions under Section 3(b). They are not necessarily comprehensive and are subject to reconsideration in the light of experience. They do not deal directly with the Fund's responsibilities referred to in Section 3(a), although it is recognized that there is a close relationship between domestic and international economic policies. This relationship is emphasized in Article IV which includes the following provision: "Recognizing . . . that a principal objective [of the international monetary system] is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates."

Principles for the Guidance of Member's Exchange Rate Policies

A. A member shall avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

B. A member should intervene in the exchange market if necessary to counter disorderly conditions which may be characterized inter alia by disruptive short-term movements in the exchange value of its currency.

C. Members should take into account in their intervention policies the interests of other members, including those of the countries in whose currencies they intervene.
Principles of Fund Surveillance over Exchange Rate Policies

1. The surveillance of exchange rate policies shall be adapted to the needs of international adjustment as they develop. The functioning of the international adjustment process shall be kept under review by the Executive Board and Interim Committee and the assessment of its operation shall be taken into account in the implementation of the principles set forth below.

2. In its surveillance of the observance by members of the principles set forth above, the Fund shall consider the following developments as among those which might indicate the need for discussion with a member:

   (i) protracted large-scale intervention in one direction in the exchange market;

   (ii) an unsustainable level of official or quasi-official borrowing, or excessive and prolonged short-term official or quasi-official lending, for balance of payments purposes;

   (iii) (a) the introduction, substantial intensification, or prolonged maintenance, for balance of payments purposes, of restrictions on, or incentives for, current transactions or payments, or

   (b) the introduction or substantial modification for balance of payments purposes of restrictions on, or incentives for, the inflow or outflow of capital;

   (iv) the pursuit, for balance of payments purposes, of monetary and other domestic financial policies that provide abnormal encouragement or discouragement to capital flows; and

   (v) behavior of the exchange rate that appears to be unrelated to underlying economic and financial conditions including factors affecting competitiveness and long-term capital movements.

3. The Fund's appraisal of a member's exchange rate policies shall be based on an evaluation of the developments in the
EXCHANGE ARRANGEMENTS

member's balance of payments against the background of its reserve position and its external indebtedness. This appraisal shall be made within the framework of a comprehensive analysis of the general economic situation and economic policy strategy of the member, and shall recognize that domestic as well as external policies can contribute to timely adjustment of the balance of payments. The appraisal shall take into account the extent to which the policies of the member, including its exchange rate policies, serve the objectives of the continuing development of the orderly underlying conditions that are necessary for financial stability, the promotion of sustained sound economic growth, and reasonable levels of employment.

Procedures for Surveillance

I. Each member shall notify the Fund in appropriate detail within thirty days after the Second Amendment becomes effective of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1. Each member shall also notify the Fund promptly of any changes in its exchange arrangements.

II. Members shall consult with the Fund regularly under Article IV. In principle, the consultations under Article IV shall comprehend the regular consultations under Articles VIII and XIV, and shall take place annually. They shall include consideration of the observance by members of the principles set forth above as well as of a member's obligations under Article IV, Section 1. Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV.

III. Broad developments in exchange rates will be reviewed periodically by the Executive Board, inter alia in discussions of the international adjustment process within the framework of the World Economic Outlook. The Fund will continue to conduct special consultations in preparing for these discussions.
IV. The Managing Director shall maintain close contact with members in connection with their exchange arrangements and exchange policies, and will be prepared to discuss on the initiative of a member important changes that it contemplates in its exchange arrangements or its exchange rate policies.

V. If, in the interval between Article IV consultations, the Managing Director, taking into account any views that may have been expressed by other members, considers that a member's exchange rate policies may not be in accord with the exchange rate principles, he shall raise the matter informally and confidentially with the member, and shall conclude promptly whether there is a question of the observance of the principles. If he concludes that there is such a question, he shall initiate and conduct on a confidential basis a discussion with the member under Article IV, Section 3(b). As soon as possible after the completion of such a discussion, and in any event not later than four months after its initiation, the Managing Director shall report to the Executive Board on the results of the discussion. If, however, the Managing Director is satisfied that the principles are being observed, he shall informally advise all Executive Directors, and the staff shall report on the discussion in the context of the next Article IV consultation; but the Managing Director shall not place the matter on the agenda of the Executive Board unless the member requests that this procedure be followed.

VI. The Executive Directors shall review annually the general implementation of the Fund's surveillance over members' exchange rate policies.

SURVEILLANCE: PROCEDURES

1. Review. The Executive Board has reviewed the procedures relating to the Fund's surveillance over members' exchange rate policies. These procedures, and the procedures for regular consultations under Article IV, will be reviewed again by the Executive Board in December 1979. The Executive Board will
review the document "Surveillance over Exchange Rate Policies" at an appropriate time not later than April 1, 1980, as provided for in paragraph 2 of Decision No. 5392-(77/63), adopted April 29, 1977.

2.*

3. Supplemental surveillance procedure. . . . Whenever the Managing Director considers that a modification in a member's exchange arrangements or exchange rate policies or the behavior of the exchange rate of its currency may be important or may have important effects on other members, whatever the member's exchange arrangement may be, he shall initiate informally and confidentially a discussion with the member before the next regular discussion under Article IV. If he considers after this prior discussion that the matter is of importance, he shall initiate and conduct an ad hoc consultation with the member and shall report to the Executive Board, or informally advise the Executive Directors, on the consultation as promptly as the circumstances permit after conclusion of the consultation. This procedure will supplement the proceedings in Executive Board Decision No. 5392-(77/63), adopted April 29, 1977.

Decision No. 6026-(79/13)
January 22, 1979

SURVEILLANCE OVER EXCHANGE RATE POLICIES: REVIEW

The Executive Board has reviewed the document "Surveillance over Exchange Rate Policies" as provided in paragraph 2 of the Executive Board Decision No. 5392-(77/63), adopted April 29, 1977, and will review it again at an appropriate time not later than April 1, 1986.

Decision No. 7645-(84/40)
March 12, 1984

*Not included in this volume.
The Executive Board has reviewed the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, as required by paragraph 2 of that decision. The next review of the document shall be conducted not later than April 1, 1988.

Decision No. 8248-(86/60)
April 1, 1986

IMPLEMENTATION OF PROCEDURES FOR SURVEILLANCE: REVIEW

The Executive Board has reviewed the procedures relating to the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance in the document "Surveillance over Exchange Rate Policies" referred to in Decision No. 7645-(84/40), including the procedures for the conduct of consultations under Article IV, which consultations shall comprehend the consultations under Article VIII and Article XIV, and approves the continuation of the procedures as described in SM/85/65, in the light of the Managing Director's summing up, until the next annual review, which shall be conducted not later than April 1, 1985.

Decision No. 7646-(84/40)
March 12, 1984

The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance attached to Decision No. 5392-(77/63), adopted April 29, 1977, including the procedures for the conduct of consultations under Article IV, which consultations shall comprehend the consultations under Article VIII and Article XIV, and approves the continuation of the procedures as described in SM/85/65, in the light of the Managing Director's summing up, until the next
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annual review, which shall be conducted not later than April 1, 1986.

Decision No. 7939-(85/49)
March 25, 1985

The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by Paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, including the procedures for the conduct of consultations under Article IV, which consultations shall comprehend the consultations under Article VIII and Article XIV, and approves the continuation of the procedures as described in SM/86/4, in the light of the Managing Director's summing up, until the next review, which shall be conducted not later than April 1, 1987.

Decision No. 8249-(86/60)
April 1, 1986

The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by Paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance over Exchange Rate Policies" attached to Decision No. 5392-(77/63), adopted April 29, 1977, including the procedures for the conduct of consultations under Article IV, which in principle shall comprehend the regular consultations under Article VIII and Article XIV, and approves the continuation of the procedures as described in SM/87/29, in the light of the Managing Director's summing up, until the next review, which shall be conducted not later than April 1, 1988.

Decision No. 8563-(87/59)
April 1, 1987

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SURVEILLANCE: PROCEDURES—IMPLEMENTATION OF THREE-MONTH PERIOD

The Executive Board approves the proposed method of applying the three-month rule for implementing the procedures for surveillance, set forth in EBD/83/161 [below].

Decision No. 7427-(83/83)
June 8, 1983

Attachment

EBD/83/161

The document entitled "Surveillance over Exchange Rate Policies," attached to Decision No. 5392-(77/63), includes certain Procedures for surveillance. Of these, Procedure II states that "Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV." This three-month period begins from the last day of discussions between the authorities and the staff mission and it is counted off on a calendar basis. Accordingly, the first Board day (viz., Monday, Wednesday, or Friday) upon the completion of the three-month period is regarded as the deadline for Executive Board discussion. Sometimes Executive Board consideration and completion of the Article IV consultation are delayed beyond the three-month deadline (see SM/83/43, 3/1/83, pp. 29–30), and in such cases, Board approval is usually sought on a lapse-of-time basis for an extension of the period. The procedure is administered flexibly in the sense that if Board discussion is scheduled just one or two Board days after the deadline, the three-month waiver paper seeking Board approval is not necessarily circulated.

However, there are certain periods during the year when Board meetings would normally be avoided for the convenience of
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Executive Directors. For example, in 1983 Board meetings were not scheduled in the weeks of February 7–11 and April 25–29 because of Interim and Development Committee meetings, respectively. For the same reason, Board meetings are not likely to be scheduled during August 8–19, 1983 because of the informal Board recess and during approximately September 16–30 because of the Annual Meetings and ancillary meetings, including caucus meetings. It would be appropriate and convenient to recognize these recurrent and normal gaps in the Board's schedule when applying the three-month rule. Accordingly, if a three-month deadline falls in a period such as one of those mentioned above when a Board meeting would normally not be scheduled, the Friday of the week immediately following such a period would be regarded as the applicable deadline for the purposes of the rule.

ENHANCED SURVEILLANCE: PROCEDURES FOR TRANSMITTAL OF STAFF REPORTS

When the Executive Board has approved a request by a member for consultations under the Fund's policy on enhanced surveillance, the annual and midyear consultation reports prepared by the Fund staff in accordance with that policy in respect of the member may be transmitted by the member to creditor banks and other creditor financial institutions party to the arrangements specified by the member in the request for consultations, on the understanding that the recipients of the reports have assured the member that the reports will not be used for any purpose other than those of the arrangements specified in the member's request to the Fund and will be kept confidential; and that the reports shall not be transmitted by the member earlier than two weeks after their circulation to members of the Executive Board.

Decision No. 8222-(86/45)
March 12, 1986

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The Chairman's Summing Up of the Discussion of the Role of the Fund in Assisting Members with Commercial Banks and Official Creditors
Executive Board Meeting 85/132—September 4, 1985

General Remarks

The procedures relating to enhanced surveillance that have been discussed by Directors were developed in response to the need to help members make progress toward addressing their debt problems and improving their relations with their creditors in an orderly manner and in a broader framework.

It was noted by many Directors that by adapting some of its policies, the Fund had played a central role in helping to limit the disruptions associated with the debt crisis and in promoting a normalization of debtor/creditor relations. Most Directors, however, observed that the practice of enhanced surveillance that had developed involved some risks. Some Directors stressed the risk of a possible weakening of Fund conditionality. Others feared that the Fund might tend to become too deeply and too specifically involved in relations with the commercial banks, and that generalized reliance on the Fund's judgment by the international community could affect the Fund's credibility and interfere with the normal functioning of the markets, which should rely eventually on the banks' own assessments. In other words, enhanced surveillance in the view of most Directors should not become a substitute for stand-by and extended arrangements and should not "crowd out" or "dilute" the Fund's normal procedures and transform the institution into a kind of universal credit-rating agency. In that vein, a majority of Directors, while recognizing the usefulness of the practices that have evolved, considered that enhanced surveillance should be used on a limited basis under the guidance and control of the Executive Board, essentially to help promote MYRAs (multiyear rescheduling arrangements), although all MYRAs might not be associated with enhanced surveillance.
EXCHANGE ARRANGEMENTS

Criteria and Procedures

a. Criteria for the adoption of enhanced surveillance

While several Directors insisted on the need for flexibility and on the importance of avoiding too rigid criteria, most Directors felt that enhanced surveillance could be undertaken when the four following conditions are met:

First, at the request of a member country, who must initiate the procedures;

Second, in cases where a good record of adjustment has been shown;

Third, in cases in which a MYRA is needed to normalize market relations and to facilitate the return to voluntary or spontaneous financing;

Fourth, in cases where the member is in a position to present an adequate quantified policy program in the framework of consultations with the Fund staff, which are part of the procedure of enhanced surveillance.

b. Length of the Fund's involvement

Directors thought that, on the whole, the early cases of enhanced surveillance had covered rather too long periods. They felt that in the future the Fund should try to limit the procedure to about the consolidation period of a MYRA. I would suggest that we should retain some flexibility and remain open to the possibility of extending enhanced surveillance a little beyond the consolidation period. If the Fund were to cut off enhanced surveillance at the end of the consolidation period, the communication of reports to the banks would be halted at a delicate time in the normalization of relations between the country and its creditors; i.e., at the time when the country will need more voluntary financing to meet external payments falling due. While we should try to limit enhanced surveillance as much as possible to the consolidation period, there might be occasions...
when an extension of enhanced surveillance into the period after consolidation may be necessary and warranted.

c. **Trigger mechanisms**

A number of Directors feared that staff involvement in the design and the negotiation of trigger mechanisms between the commercial banks and the member country risked diluting the banks' responsibility in the monitoring process under MYRAs and risked engaging the Fund in providing on/off signals to the banks. Most Directors felt that the staff should not negotiate or take responsibility for designing and assessing trigger mechanisms. But, if the member wished, the Fund staff would not refuse to give its views on the purely technical merits or drawbacks of such mechanisms. It is important to emphasize that the Fund should take no active part in the negotiation of the design of these trigger mechanisms.

d. **Contents and distribution of staff reports**

Directors stressed the need to ensure that staff reports to be issued to creditor banks under the policy of enhanced surveillance continue to provide full and frank assessments of the policies and economic prospects of member countries. While a number of Directors were of the view that staff reports should be made available to creditor banks under the enhanced surveillance procedures only after the Executive Board had met to discuss the reports, most Directors agreed that countries would be authorized to release these staff reports to their creditor banks not earlier than two weeks after their issuance to the Executive Board. The majority of Directors were of the view that authorization to release staff reports should be provided by a general decision pertaining to all cases for which enhanced surveillance is agreed rather than by an individual decision in each case. The reports to be released to creditor banks would reflect only the staff's views and would not contain any references to the discussions and views of the Executive Board. No amendments to the staff report other than the deletion of references to Board discussions would be made.
e. Involvement of the Executive Board

I understand that the procedure would be as follows: First, request by a member for enhanced surveillance; second, management assesses the case in accordance with the policies agreed by the Executive Board today and determines whether to submit the request for the endorsement of the Board. In cases where the criteria raise delicate problems of interpretation, management would continue to consult informally with Executive Directors at the earliest opportunity.

...  
g. Review of the policy on enhanced surveillance

A number of Directors suggested that in view of the need to assess changing circumstances and the possible effects of the procedures for enhanced surveillance on the Fund and its policies, the Board should engage in a periodic review of the policy of enhanced surveillance, with an initial review to be held in about one year.
ARTICLE V, SECTION 3(a), (b), AND (c)

Use of Fund’s Resources

INTERPRETATION OF ARTICLES OF AGREEMENT

The Executive Directors of the International Monetary Fund interpret the Articles of Agreement to mean that authority to use the resources of the Fund is limited to use in accordance with its purposes to give temporary assistance in financing balance of payments deficits on current account for monetary stabilization operations.

Pursuant to Decision No. 71-2
September 26, 1946

USE OF FUND’S RESOURCES FOR CAPITAL TRANSFERS

After full consideration of all relevant aspects concerning the use of the Fund’s resources, the Executive Directors decide by way of clarification that Decision No. 71-2 does not preclude the use of the Fund’s resources for capital transfers in accordance with the provisions of the Articles, including Article VI.

Decision No. 1238-(61/43)
July 28, 1961

USE OF FUND’S RESOURCES: MEANING OF “CONSISTENT WITH THE PROVISIONS OF THIS AGREEMENT” IN ARTICLE V, SECTION 3

The phrase “consistent with the provisions of this Agreement” in Article V, Section 3, means consistent both with the provisions of the Fund Agreement other than Article I and with the purposes of the Fund contained in Article I.

Decision No. 287-3
March 17, 1948
USE OF FUND’S RESOURCES AND REPURCHASES

1. The Managing Director has made the following statement which should be the framework for his discussions with members on use of the Fund’s resources:

"The present proposals are designed to provide a practical basis for use of the Fund’s resources in accordance with the purposes of the Fund. When the proposals are agreed they will, of course, have to be carried into effect through actual cases. Decisions will have to be made in accordance with the particular circumstances, and in this manner a body of practical criteria will gradually be built up. However, even at the outset I think it must be clear that access to the Fund should not be denied because a member is in difficulty. On the contrary, the task of the Fund is to help members that need temporary help, and requests should be expected from members that are in trouble in greater or lesser degree. The Fund’s attitude toward the position of each member should turn on whether the problem to be met is of a temporary nature and whether the policies the member will pursue will be adequate to overcome the problem within such a period. The policies, above all, should determine the Fund’s attitude.

"In addition, the Fund should pay attention to a member’s general creditworthiness, particularly its record with the Fund. In this respect, the member’s record of prudence in drawing, its willingness to offer voluntary repayment when its situation permitted, and its promptness in fulfilling the obligation to transmit monetary reserves data and in discharging repurchase obligations would be important. I would expect that in the years to come, with extended activities of the Fund, we shall be able more and more to rely on the Fund’s own experience, thus providing a further and most useful link between Fund drawings and repurchases.

"After a period of relative inactivity of the Fund, it would be too much to expect that we should be able to solve with one
stroke the entire problem of access to the Fund's resources so that each member would always know how any request would be received by the Fund. We shall have to feel our way. Sometimes a member may want to submit to the Fund a specific request for drawings, with adequate information as to the particular situation which prompts the request. At other times discussions between the member and the Fund may cover its general position, not with a view to any immediate drawing, but in order to ensure that it would be able to draw if, within a period of say 6 to 12 months, the need presented itself. The Fund itself might take the initiative in discussing with one or more members transactions which it believes suitable for the Fund and helpful to the members concerned. In cases where it would appear appropriate and useful, the Fund might arrange drawings to deal with special short-run situations accompanied by arrangements for repurchase in a period not exceeding 18 months."

Decision No. 102-(52/11)
February 13, 1952

GENERAL POLICIES ON USE OF THE FUND'S RESOURCES: TRANCHE POLICIES

... The Fund's attitude to requests for transactions within the "first credit tranche"... ** is a liberal one, provided that the member itself is making reasonable efforts to solve its problems. Requests for transactions beyond these limits require substantial justification.


*The remainder of the provisions of this decision are no longer in effect, but see footnote to Decision No. 270-(53/93) on page 62.

**See Decision No. 6830-(81/65), April 22, 1981, effective May 1, 1981, on page 358.
GUIDELINES ON CONDITIONALITY

The Executive Board agrees to the text of the guidelines on conditionality for the use of the Fund's resources and for stand-by arrangements as set forth [below].

Decision No. 6056-(79/38)
March 2, 1979

Use of Fund's General Resources and Stand-By Arrangements

1. Members should be encouraged to adopt corrective measures, which could be supported by use of the Fund's general resources in accordance with the Fund's policies, at an early stage of their balance of payments difficulties or as a precaution against the emergence of such difficulties. The Article IV consultations are among the occasions on which the Fund would be able to discuss with members adjustment programs, including corrective measures, that would enable the Fund to approve a stand-by arrangement.

2. The normal period for a stand-by arrangement will be one year. If, however, a longer period is requested by a member and considered necessary by the Fund to enable the member to implement its adjustment program successfully, the stand-by arrangement may extend beyond the period of one year. This period in appropriate cases may extend up to but not beyond three years.

3. Stand-by arrangements are not international agreements and therefore language having a contractual connotation will be avoided in stand-by arrangements and letters of intent.

4. In helping members to devise adjustment programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems.
5. Appropriate consultation clauses will be incorporated in all stand-by arrangements. Such clauses will include provision for consultation from time to time during the whole period in which the member has outstanding purchases in the upper credit tranches. This provision will apply whether the outstanding purchases were made under a stand-by arrangement or in other transactions in the upper credit tranches.

6. Phasing and performance clauses will be omitted in stand-by arrangements that do not go beyond the first credit tranche. They will be included in all other stand-by arrangements but these clauses will be applicable only to purchases beyond the first credit tranche.

7. The Managing Director will recommend that the Executive Board approve a member's request for the use of the Fund's general resources in the credit tranches when it is his judgment that the program is consistent with the Fund's provisions and policies and that it will be carried out. A member may be expected to adopt some corrective measures before a stand-by arrangement is approved by the Fund, but only if necessary to enable the member to adopt and carry out a program consistent with the Fund's provisions and policies. In these cases the Managing Director will keep Executive Directors informed in an appropriate manner of the progress of discussions with the member.

8. The Managing Director will ensure adequate coordination in the application of policies relating to the use of the Fund's general resources with a view to maintaining the nondiscriminatory treatment of members.

9. The number and content of performance criteria may vary because of the diversity of problems and institutional arrangements of members. Performance criteria will be limited to those that are necessary to evaluate implementation of the program with a view to ensuring the achievement of its objectives. Performance criteria will normally be confined to
(i) macroeconomic variables, and (ii) those necessary to implement specific provisions of the Articles or policies adopted under them. Performance criteria may relate to other variables only in exceptional cases when they are essential for the effectiveness of the member's program because of their macroeconomic impact.

10. In programs extending beyond one year, or in circumstances where a member is unable to establish in advance one or more performance criteria for all or part of the program period, provision will be made for a review in order to reach the necessary understandings with the member for the remaining period. In addition, in those exceptional cases in which an essential feature of a program cannot be formulated as a performance criterion at the beginning of a program year because of substantial uncertainties concerning major economic trends, provision will be made for a review by the Fund to evaluate the current macroeconomic policies of the member, and to reach new understandings if necessary. In these exceptional cases the Managing Director will inform Executive Directors in an appropriate manner of the subject matter of a review.

11. The staff will prepare an analysis and assessment of the performance under programs supported by use of the Fund's general resources in the credit tranches in connection with Article IV consultations and as appropriate in connection with further requests for use of the Fund's resources.

12. The staff will from time to time prepare, for review by the Executive Board, studies of programs supported by stand-by arrangements in order to evaluate and compare the appropriateness of the programs, the effectiveness of the policy instruments, the observance of the programs, and the results achieved. Such reviews will enable the Executive Board to determine when it may be appropriate to have the next comprehensive review of conditionality.
Guidelines on Performance Criteria with Respect to Foreign Borrowing

The Executive Board approves the Chairman’s summing up on external debt management policies as set forth [below].

Decision No. 6230-(79/140)
August 3, 1979

The Chairman’s Summing Up on External Debt Management Policies

In the context of a general discussion of the issues relating to external debt management policies, the Executive Board considered the following guideline on the performance criteria with respect to foreign borrowing:

When the size and the rate of growth of external indebtedness is a relevant factor in the design of an adjustment program, a performance criterion relating to official and officially guaranteed foreign borrowing will be included in upper credit tranche arrangements. The criterion will include foreign loans with maturities of over one year, with the upper limit being determined by conditions in world capital markets; in present conditions, the upper limit will include loans with maturities in the range of 10 to 12 years. The criterion will usually be formulated in terms of loans contracted or authorized. However, in appropriate cases, it may be formulated in terms of net disbursements or net changes in the stock of external official and officially guaranteed debt. Normally, the performance criterion will also include a subceiling on foreign loans with maturities of over one year and up to five years. Flexibility will be exercised to ensure that the use of the performance criterion will not discourage capital flows of a concessional nature by excluding from the coverage of performance criteria loans defined as concessional under DAC criteria, where sufficient data are available.

Adoption of this guideline will be subject to the understanding that the staff will be guided also by the following points:

1. The above guideline will be applied with a reasonable degree of flexibility while safeguarding the principle of uniformity of treatment among members. The external debt
Use of Fund's Resources: Art. V, Sec. 3(a), (b), and (c)

guideline should be interpreted in the light of the general guidelines on conditionality (Decision No. 6056-(79/38)), especially guideline No. 4, which states:

In helping members to devise adjustment programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems.

Also, guideline No. 9 includes the following:

The number and content of performance criteria may vary because of the diversity of problems and institutional arrangements of members. Performance criteria will be limited to those that are necessary to evaluate implementation of the program with a view to ensuring the achievement of its objectives.

Furthermore, guideline No. 8 states:

The Managing Director will ensure adequate coordination in the application of policies relating to the use of the Fund's general resources with a view to maintaining the nondiscriminatory treatment of members.

2. While uniformity of treatment indicates a need for a common upper-maturity limit, this limit will be reviewed annually by the Executive Board at the time of its consideration of staff papers on conditions in international capital markets. In analyzing the amount and terms of new borrowing that would be appropriate—in the member's circumstances—over the medium term, the staff will take into account prospective developments in the member's external payments situation and the profile of its external indebtedness.

3. In formulating external debt criteria, the staff will be mindful of the need to ensure consistency between external debt management policies and domestic financial policies. Where external debt per se is not a matter for concern, but adjustment programs have as a main objective to reduce excess demand pressures and restore overall balance to the public sector finances, the credit ceiling for the public sector would cover both domestic and foreign financing of the overall public sector deficit.
4. Normally the performance criterion will relate to official and officially guaranteed foreign borrowing. The coverage will include official entities for which the government is financially responsible as well as private borrowing for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government.

5. In cases where the member's external debt management policy covers private sector borrowing without official guarantee and there is an established regulatory machinery to control such borrowing, it will be proposed that the performance criterion on foreign borrowing should be adapted accordingly.

6. Normally, loans of less than one-year maturity will be excluded from the borrowing limitations. In exceptional circumstances where nontrade-related loans of less than one year of maturity become a source of difficulty, such loans will be included in the limitations. The Managing Director will inform Executive Directors in an appropriate manner of the reasons for including such loans in the limitation.

7. The last sentence of the guideline provides for excluding from the coverage of performance criteria those loans defined as concessional under DAC criteria. Available information on loans by multilateral development institutions indicates that all of the recent loans of the IBRD and the Inter-American Development Bank have been outside the 10 to 12-year limit and that most of the loans by the Asian and African regional development banks have also been outside the upper limit. In discussing with member countries the total amounts of permissible borrowing of less than 10 to 12 years' maturity, the staff would take into account possible lending of less than this maturity range by multilateral development institutions. In some cases, member countries utilize credits associated with concessional loans. The staff will take into account these developments in discussing the appropriate amount of borrowing.
EXTENDED FUND FACILITY

1.

(i) The Executive Directors have been considering the establishment of an extended facility for members that would enable the Fund to give medium-term assistance in the special circumstances of balance of payments difficulty that are indicated in this decision. The facility, in its formulation and administration, is likely to be beneficial for developing countries in particular.

(ii) The Executive Directors have noted the studies prepared by the staff, including SM/74/58 ("Extended Fund Facility," March 8, 1974), and especially paragraphs 12 to 16 of that memorandum, in which certain situations to which an extended facility could apply are described as follows:

"(a) an economy suffering serious payments imbalance relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread;

(b) an economy characterized by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy."

(iii) The Executive Directors have noted the support for an extended facility by the Committee of the Board of Governors on the Reform of the International Monetary System and Related Issues.

(iv) Taking into account the considerations set forth above, and in particular the exceptional problems faced by some members, the Executive Directors have decided to establish a facility in accordance with the terms set forth in Section II of this decision for the purpose of giving such members medium-term assistance, consistently with Article I (v) and the other purposes of the Fund, under extended arrangements.
II.

1. The Fund will be prepared to give special assistance to members to meet balance of payments deficits for longer periods and in amounts larger in relation to quotas than has been the practice under existing tranche policies. Such assistance will be given in the form of extended arrangements in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances in production, trade, and prices when it is expected that the needed improvement in the member's balance of payments can be achieved without policies inconsistent with the purposes of the Fund only over an extended period. The Fund will pay particular attention to the policy measures that the member intends to implement in order to mobilize resources and improve the utilization of them and to reduce reliance on external restrictions, the time required for these measures to have the intended effect on the balance of payments, and such other factors as the Fund considers relevant to the member's circumstances.

2. A member that contemplates making a request for an extended arrangement should consult the Managing Director before making a request under this decision. A request by a member for an extended arrangement in order to deal with a problem of the kind referred to in this decision will be met, subject to paragraphs 3 and 4 below, if the Fund is satisfied that:

(a) the solution of the member's balance of payments problem will require a longer period than the period for which the resources of the Fund are available under existing tranche policies, and

(b) the member has presented:

(i) a program, setting forth the objectives and policies for the whole period of the extended arrangement, and adequate for the solution of the member's problem; and
(ii) a detailed statement of the policies and measures for the first twelve months constituting an initiation of the program referred to in (i) considered substantial in the member's circumstances, with the understanding that, for each subsequent twelve-month period, the member will present to the Fund a detailed statement of the progress made, and the policies and measures as in (ii) that will be followed, to further the realization of the objectives of the program referred to in (i) with such modifications in the member's policies as might reasonably be considered necessary to assist it to achieve its objectives in changing circumstances.

3. Extended arrangements under this decision will be limited to periods of not more than three years. Each arrangement will prescribe the total amount, and the annual installments within the total, available in accordance with the original or any modified terms of the arrangement. Purchases in respect of each installment will be phased over the period in which it is available and will be subject to suitable performance clauses related to the implementation of those policies that are necessary for achieving the objectives of the program that the member has adopted as the basis for an extended arrangement.

4. (a) Purchases outstanding under this decision will not exceed 140 per cent of the member's quota, or be allowed to increase the Fund's holdings of the member's currency resulting from purchases in the credit tranches and under this decision above 165 per cent of the member's quota.

(b) In order to carry out the purposes of this decision, the Fund will be prepared to grant any waiver of the conditions of Article V, Section 3 (a) (iii)* when necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency

*Corresponds to Article V, Section 3 (b) (iii) of the Articles of Agreement after the Second Amendment.
above the limits referred to in that provision because of purchases outstanding under this decision. In addition, subject to (a), the Fund will apply its tranche policies to requests by a member for purchases other than gold tranche purchases as if the Fund's holdings of the member's currency did not include holdings resulting from any purchases outstanding under this decision.

5. A member that has obtained an extended arrangement under this decision will make repurchases corresponding to purchases under the extended arrangement to the extent that such purchases are still outstanding, as soon as its balance of payments problems have been overcome and, in any event, within an outside range of four to ten years after each purchase. Not later than four years after the first purchase under the extended arrangement the member will propose to the Fund a schedule of repurchases for all purchases outstanding under the extended arrangement. Normally, schedules under this paragraph will provide for repurchases in respect of each purchase of 12 equal six-monthly installments.

6. When purchases are made under extended arrangements granted pursuant to this decision, the Fund will so indicate in an appropriate manner.

7. The Fund will levy charges on holdings of a member's currency resulting from purchases outstanding under this decision in accordance with Executive Board Decision No. 4378-(74/114), adopted September 13, 1974.

8. Except as otherwise provided in this or in any subsequent related decisions, extended arrangements shall be subject to the Fund's decisions and policies on stand-by arrangements.

9. The Fund will review this decision in the light of experience and developing circumstances when the total amount of purchases that could be made under extended arrangements is
USE OF FUND'S RESOURCES: ART. V, SEC. 3(a), (b), AND (c)

equivalent to two billion special drawing rights and in any event not later than July 31, 1976.

*Decision No. 4377-(74/114),
September 13, 1974, as amended by
Decisions Nos. 6339-(79/179),
December 3, 1979, and
6830-(81/65),
April 22, 1981, effective May 1, 1981*

EXTENDED FUND FACILITY: REVIEW OF DECISION

1. The Executive Directors have reviewed Decision No. 4377-(74/114), adopted September 13, 1974, relating to the extended Fund facility, in accordance with paragraph 9 of that decision.

2. The Executive Directors have decided not to modify the decision at this time but they will review the adequacy of its provisions further at an appropriate time and in any event when the total amount of the purchases that could be made under extended arrangements is equivalent to SDR 2 billion.

*Decision No. 5220-(76/144)
September 20, 1976*

1. Pursuant to Decision No. 7157-(82/93), adopted July 7, 1982, the Fund has reviewed the provisions of the extended Fund facility further, together with a review of the Fund’s stand-by arrangements, and decides that the provisions of the extended Fund facility remain appropriate in present circumstances.

2. The Fund will again review programs supported by stand-by and extended arrangements, not later than December 31, 1984. This review will examine the appropriateness of the provisions of the extended Fund facility and the guidelines on
conditionality, with particular reference to the importance of ensuring the revolving character of the Fund's resources.

Decision No. 7558-(83/156)
November 16, 1983

1. Pursuant to Decision No. 7558-(83/156), adopted November 16, 1983, the Fund has reviewed the programs supported by stand-by and extended arrangements, as well as the appropriateness of the provisions of the extended Fund facility, and of the guidelines on conditionality and decides that the provisions of the extended Fund facility and the guidelines on conditionality remain appropriate in the present circumstances.

2. The Fund will again review the programs supported by stand-by and extended arrangements, and the appropriateness of the provisions of the extended Fund facility, and of the guidelines on conditionality, not later than December 31, 1985.

Decision No. 7857-(84/175)
December 5, 1984

1. Pursuant to Decision No. 7857-(84/175), adopted December 5, 1984, the Fund has reviewed the conditionality that the Fund applies for transactions in the upper credit tranches with particular reference to the Fund's experience from recent programs supported by stand-by and extended arrangements from the Fund. In the context, the Fund has also reviewed the provisions of the extended Fund facility and the guidelines on conditionality.

2. The Fund finds that the conditionality of the Fund, including provisions of the extended Fund facility and the guidelines on conditionality, remains appropriate in the present circumstances.

3. The Fund will again review the experience relating to...
programs supported by stand-by and extended arrangements, and the provisions of the extended Fund facility and the guidelines on conditionality, at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality.

Decision No. 8192-(86/13)
January 27, 1986

Charge for Extended Arrangements

Under paragraph 8 of Decision No. 4377-(74/114), adopted September 13, 1974, the charge of ¼ of 1 per cent per annum imposed by paragraph 5(a) of Decision No. 270-(53/95), adopted December 23, 1953, as amended, shall be payable to the Fund in advance of each year of an extended arrangement on the amount that could be purchased during that year.

Decision No. 4720-(75/114)*
July 2, 1975

Supplementary Financing Facility

1. (a) The Fund will be prepared to provide, in accordance with this decision, supplementary financing in conjunction with use of the other resources of the Fund (hereinafter referred to as "ordinary resources") to members facing serious payments imbalances that are large in relation to their quotas. Supplementary financing for the purpose of this decision means financing that the Fund will provide under a stand-by or extended arrangement with resources the Fund obtains by replenishment under Article VII, Section 2** and Decision No. 5509-(77/127),† adopted August 29, 1977.

(b) Resources available to members under other policies of the Fund will remain available in accordance with the terms of those policies.

*See also Rule 1-8 of the Rules and Regulations in By-Laws, Rules and Regulations, Forty-Third Issue, August 1, 1986.
**Corresponds to Article VII, Section 1 of the Articles of Agreement after the Second Amendment.
†Reproduced on pages 196–203.
2. A member contemplating use of the Fund's resources in the three credit tranches beyond the first credit tranche (hereinafter referred to as the "upper credit tranches") that would include supplementary financing shall consult the Managing Director before making a request under this decision. A request by a member will be met under this decision only if the Fund is satisfied: (i) that the member needs financing from the Fund that exceeds the amount available to it in the four credit tranches and its problem requires a relatively long period of adjustment and a maximum period for repurchase longer than the three to five years under the credit tranche policies; and (ii), on the basis of a detailed statement of the economic and financial policies the member will follow and the measures it will apply during the period of the stand-by or extended arrangement, that the member's program will be adequate for the solution of its problem and is compatible with the Fund's policies on the use of its resources in the upper credit tranches or under the Extended Fund Facility.

3. The Fund may approve a stand-by or extended arrangement that provides for supplementary financing at any time within two years from the effective date of this decision. The Fund will review this period when conducting a review under 12 below. Any extension of the period shall not exceed one year.

4. (a) Supplementary financing will be available only if the program referred to in 2(ii) above is one in support of which the Fund approves a stand-by arrangement in the upper credit tranches or beyond or an extended arrangement. The stand-by or extended arrangement will be in accordance with the Fund's policies, including inter alia its policies on conditionality, phasing, and performance criteria, provided however that any right of augmentation exercised by a member in connection with a repurchase in respect of a purchase made with supplementary financing shall be subject to the same period of repurchase that applied to the purchase in respect of which the repurchase was made.
(b) The period of a stand-by arrangement approved under this decision will normally exceed one year, and may extend up to three years in appropriate cases. The period of an extended arrangement will be in accordance with Decision No. 4377-(74/114),* adopted September 13, 1974.

(c) A request for a purchase in accordance with a stand-by or extended arrangement approved under this decision will be met from ordinary resources and supplementary financing in the proportions determined under 5 and 6 below when the arrangement is approved.

5. The amounts available to a member under a stand-by arrangement approved under this decision will be apportioned between ordinary resources and supplementary financing as follows:

(a) While each credit tranche is 36.25 per cent of quota under the Fund’s policies, supplementary financing will be equivalent to 34 per cent of quota in respect of each of the upper credit tranches.

(b) After each credit tranche becomes 25 per cent of quota under the Fund’s policies, supplementary financing will be equivalent to 12.5 per cent of quota in respect of the first credit tranche and 30 per cent of quota in respect of the upper credit tranches.

(c) If a member has used all or part of its credit tranches before a stand-by arrangement is approved under this decision, the arrangement approved under this decision will provide that the amount of supplementary financing that would have been used under (a) and (b) above if all earlier purchases in the credit tranches had been made in conjunction with supplementary financing will be used, subject to 4(a) above, before purchases are made under (a) or (b) above.

(d) If a purchase in a credit tranche is less than the amount

*Reproduced on pages 33-37.
of a full credit tranche, the supplementary financing to be used in conjunction with the purchase will be in the same proportion of the amount of supplementary financing referred to in (a) and (b) above as the purchase in the credit tranche bears to the amount available in that tranche when the arrangement was approved.

(e) From time to time, the Fund will review the proportions of supplementary financing to be used in conjunction with the upper credit tranches, and may substitute modified proportions for those in effect pursuant to this decision. The modified proportions shall apply only to stand-by arrangements approved after the date of the decision to modify the proportions, provided that a member that has an existing stand-by arrangement may request that, subject to 4(a) and 5(c) above, any increased proportions be made available to it under a new or revised arrangement.

(f) In special circumstances, a stand-by arrangement may be approved under this decision that provides for purchases beyond the credit tranches and supplementary financing available under (a), (b), and (c) above. The arrangement will provide that all purchases under it will be made with supplementary financing. The Fund, taking into account the criteria in 2 above, will prescribe in each arrangement the amount of supplementary financing that will be available.

6. (a) Supplementary financing will be available, in combination with ordinary resources, for purchases under an extended arrangement approved under this decision in an amount not exceeding the equivalent of 140 per cent of quota. Purchases under an extended arrangement will be made with ordinary resources and with supplementary financing in the ratio of one to one.

(b) Supplementary financing available to a member in accordance with the ratio in (a) above will be increased by an amount determined by the ratio of one to one in respect of that part of the upper credit tranches that is no longer available to the
member as the result of earlier uses of the Fund's resources. Purchases will be made with supplementary financing, subject to 4(a) above, to the extent of the amount of this increase before purchases are made in accordance with (a) above.

(c) The principles of 5(e) and (f) shall apply to extended arrangements approved under this decision.

7. (a) Repurchases in respect of outstanding purchases under this decision will be made in accordance with the terms of the stand-by or extended arrangement under which the purchases were made.

(b) The terms will include a provision that the member will be expected to repurchase in respect of purchases, whether made with ordinary resources or with supplementary financing, as its balance of payments and reserve position improves, and will make such repurchases if, after consultation with the member, the Fund represents that repurchase should be made because of an improvement.

(c) The terms will also provide that with respect to purchases financed with ordinary resources repurchase will be made in accordance with the Fund's policies on the credit tranches or under the Extended Fund Facility; and that with respect to purchases made with supplementary financing repurchase will be made in equal semiannual installments that begin not later than three and one-half years and are completed not later than seven years after the purchase.

(d) A repurchase attributed to a purchase made with supplementary financing in advance of this schedule of equal semiannual installments must be accompanied by a repurchase in respect of the purchase financed with ordinary resources made at the same time if any part of the latter purchase is still outstanding. The amounts of the two repurchases will be in the same proportions in which ordinary resources and supplementary financing were used in the purchases, provided, however, that the repurchase in respect of the purchase financed with ordinary
resources will not exceed the amount of the purchase still outstanding.

(e) Repurchases will be made in the media prescribed by the Articles of Agreement and specified by the Fund at the time of the repurchase after consultation with members. The Fund will be guided by a policy of specifying for repurchase the media in which it will make repayments as a result of the repurchases, and will take this policy into account in preparing its currency budgets.

8. In order to carry out the purposes of this decision, the Fund will be prepared to grant a waiver of the conditions of Article V, Section 3(a)(iii) (or Article V, Section 3(b)(iii) after the Second Amendment of the Articles) that is necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

9. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases outstanding under this decision that have been made with supplementary financing. After the effective date of the Second Amendment of the Articles of Agreement purchases under this decision and holdings resulting from purchases outstanding under this decision will be excluded under Article XXX(c).

10. The Fund will state which purchases by a member are made under this decision and the amounts of ordinary resources and supplementary financing used in each purchase.

11. The Fund will levy charges in accordance with the decision of the Executive Board on holdings of a member's currency resulting from purchases outstanding under this decision to the extent that they are made with supplementary financing.

Dec. 5808 (77/127)
12. The Fund will review this decision not later than two years after its effective date or when the Seventh General Review of Quotas becomes effective, if that occurs within the two years. One year after the effective date of this decision the Fund will report on the use of the supplementary financing facility. The report will deal also with other important aspects of the facility.

13. The effective date of this decision will be the date on which agreements are completed under Decision No. 5509-(77/127), adopted August 29, 1977, for a total amount not less than SDR 7.75 billion, including at least six agreements each of which provides for an amount not less than SDR 500 million.

Decision No. 5508-(77/127)
August 29, 1977

SUPPLEMENTARY FINANCING FACILITY: REPORT ON USE

1. Paragraph 12 of the Executive Board Decision on the supplementary financing facility provides in part that “One year after the effective date of this decision the Fund will report on the use of the supplementary financing facility. The report will deal also with other important aspects of the facility.”

2. The use of the resources available under the facility has up to the present been moderate, with total commitments at present amounting to 12 per cent of the resources available under the borrowing agreements entered into by the Fund to finance purchases under the facility. All use of the facility so far has been by non-oil developing countries. It is expected that there will be substantially greater use under the facility in the year ahead.

3. So far, the total of available resources has been sufficient to meet the foreseeable demand. Participation in the facility remains open to other lenders in accordance with the Executive Board Decision on replenishment in connection with the supplementary financing facility on the same terms as apply to
existing lenders if the Fund finds it useful to enter into further agreements.

4. The Executive Board is reviewing the ways and means of lowering the cost of using the supplementary financing facility.

**Decision No. 6445-(80/43)**
March 11, 1980

**Review of Supplementary Financing Facility: Initial Disposition**

It is decided that the proportions of supplementary financing and ordinary resources to be used under stand-by and extended arrangements approved by the Fund after December 7, 1980 shall be the proportions prescribed in paragraphs 5 and 6 of Decision No. 5508-(77/127), of August 29, 1977, as modified when the review referred to in paragraph 12 of that decision is concluded. In order to ensure that the modified proportions will be applied in respect of such a stand-by or extended arrangement under which purchases will have been made before the conclusion of the review referred to above, appropriate adjustments shall be made in the proportions of supplementary financing and ordinary resources to be used in purchases made under the arrangement after the conclusion of that review.

**Decision No. 6693-(80/177)**
December 8, 1980

**Review of the Supplementary Financing Facility**

The Fund, having reviewed its decision on the Establishment of a Supplementary Financing Facility (Decision No. 5508-(77/127), August 29, 1977), extends until February 22, 1982 the period during which it may approve a stand-by or extended arrangement that provides for supplementary financing.*

**Decision No. 6725-(81/5)**
January 9, 1981

*See also Decision No. 7047-(82/13) on pages 73-75.
POLICY ON ENLARGED ACCESS

1. From the date on which the Fund determines that all available supplementary financing has been committed and additional borrowing arrangements have been concluded, the Fund will be prepared to provide balance of payments assistance to members facing serious payments imbalances that are large in relation to their quotas in accordance with this decision (hereinafter referred to as "Enlarged Access"). Access to the Fund's resources under this decision will be provided under a stand-by or an extended arrangement, and purchases under the arrangement will be financed by resources that the Fund obtains for this purpose by replenishment under Article VII, Section 1(i) (hereinafter referred to as "borrowed resources"), in conjunction with the use of the other resources of the Fund (hereinafter referred to as "ordinary resources").

2. Access to the Fund's resources under other policies of the Fund will remain available in accordance with the terms of those policies.

3. A member contemplating use of the Fund's resources under this decision shall consult the Managing Director before making a request for such use. A request will be met only if the Fund is satisfied: (i) that the member needs financing from the Fund that exceeds the amount available to it in the four credit tranches or under the Extended Fund Facility and its problem requires a relatively long period of adjustment and a maximum period for repurchase longer than the three to five years under the credit tranche policies; and (ii) on the basis of a detailed statement of the economic and financial policies the member will follow and the measures it will apply during the period of the stand-by or extended arrangement, that the member's program will be adequate for the solution of its problem and is compatible with the Fund's policies on the use of its resources beyond the first credit tranche or under the Extended Fund Facility.

4. The Fund may approve a stand-by or extended arrangement
that provides for Enlarged Access at any time until the Eighth General Review of Quotas becomes effective, provided that the Fund may extend this period.

5. A stand-by or extended arrangement approved under this decision will be in accordance with the Fund’s policies, including the policies on conditionality, phasing and performance criteria.

6. The period of a stand-by arrangement approved under this decision will normally exceed one year, and may extend up to three years in exceptional cases. The period of an extended arrangement will be normally three years.

7. The amounts that will be made available under stand-by or extended arrangements approved under this decision will be determined according to guidelines adopted by the Fund from time to time.*

8. The amounts available under a stand-by or extended arrangement approved under this decision will be apportioned between ordinary and borrowed resources as follows:

(a)** ..........................................................

(b)** ..........................................................

(c) The apportionment in accordance with (a) and (b) above will be made on the basis of the outstanding use by the member of the Fund's resources at the time the arrangement for the member is approved.

(d) From time to time the Fund will review the proportions of ordinary and borrowed resources specified in (a) and (b) above and may modify them, and the modified proportions shall apply uniformly to both arrangements approved after the modification and amounts that may be purchased under existing arrangements after the modification.

*See Decision No. 7600-(84/3), January 6, 1984, as amended by Decisions Nos. 7841-(84/165), November 16, 1984, and 8147-(85/177), December 9, 1985, and 8459-(86/189), December 1, 1986 on pages 51-52.

**See Decision No. 8487-(86/205), December 19, 1986 at pages 52-53.
9. (a) A stand-by or extended arrangement approved under this decision may provide, in part, for supplementary financing in accordance with Decision No. 5508-(77/127), adopted August 29, 1977, if

(i) the arrangement replaces an arrangement approved under that decision, or

(ii) an amount of supplementary financing becomes available because of the cancellation of an arrangement or because it is reasonably certain that an arrangement will not be fully utilized, in which case the arrangement approved under this decision may provide for the utilization of a part or all of the available amount.

(b) When an arrangement under this decision provides for supplementary financing, the supplementary financing will be used before borrowed resources.

10. (a) Repurchases in respect of outstanding purchases under this decision will be made in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as the member's balance of payments and reserve position improves, provided that repurchases in respect of outstanding purchases financed by borrowed resources shall be completed seven years after the purchase, and that the repurchases shall be made in equal semi-annual installments during the period beginning three and one half years and ending seven years after the purchase.

(b) If a purchase is financed by ordinary and borrowed resources, a repurchase attributed to the purchase made with borrowed resources in advance of this schedule of installments must be accompanied by a repurchase in respect of the purchase made with ordinary resources at the same time if any part of the latter purchase is still outstanding. The amounts of the two repurchases will be in the same proportions in which ordinary
and borrowed resources were used in the purchases, provided, however, that the repurchase in respect of the purchase financed with ordinary resources will not exceed the amount of the purchase still outstanding.

11. In order to carry out the purposes of this decision, the Fund will be prepared to grant a waiver of the limitation in Article V, Section 3(b)(iii) that is necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

12. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases under this decision that have been made with borrowed resources. Purchases under this decision with borrowed resources and holdings resulting from these purchases will be excluded under Article XXX(c).

13. The Fund will state which purchases by a member are made under this decision and the amounts of ordinary and borrowed resources used in each purchase.

14. The Fund will determine the charges that it will levy on holdings of a member's currency resulting from purchases outstanding under this decision to the extent that they are made with borrowed resources.

15. The Fund will review this decision not later than June 30, 1983, and annually thereafter as long as the decision remains in effect.

Decision No. 6783-(81/40)
March 11, 1981

Policy on Enlarged Access: Period and Annual Review

a. The Fund may approve a stand-by or extended arrangement that provides for enlarged access under Decision

Dec. 7599-(84/3) 50

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No. 6783-(81/40) on the Policy on Enlarged Access until the end of 1987, provided that the Fund may extend this period.

b. The Fund will review Decision No. 6783-(81/40) not later than December 31, 1984, and annually thereafter as long as the Decision remains in effect, in order to consider the future of the Policy on Enlarged Access in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

Decision No. 7599-(84/3)

January 6, 1984, as amended by

Decisions Nos. 7841-(84/165), November 16, 1984,
8147-(85/177), December 9, 1985,
and 8459-(86/189), December 1, 1986

POLICY ON ENLARGED ACCESS: GUIDELINES ON ACCESS LIMITS

a. Access by members to the Fund's general resources under Decision No. 6783-(81/40) on the Policy on Enlarged Access during the period ending on December 31, 1984 shall be subject to annual limits of 102 or 125 percent of quota, three-year limits of 306 or 375 percent of quota, and cumulative limits of 408 or 500 percent of quota net of scheduled repurchases, depending on the seriousness of the member's balance of payments needs and the strength of its adjustment effort. Access by members to the Fund's general resources under arrangements approved under Decision No. 6783-(81/40) during 1985 shall be subject to annual limits of 95 or 115 percent of quota, three-year limits of 280 or 345 percent of quota, and cumulative limits of 408 or 450 percent of quota net of scheduled repurchases, depending on the seriousness of the member's balance of payments need and the strength of its adjustment effort. Access by members to the Fund's general resources under arrangements approved under Decision No. 6783-(81/40) during 1986 and 1987 shall be subject to annual limits of 90 or 110 percent of quota, three-year limits of 270 or 330 percent of quota, and cumulative limits of
400 or 440 percent of quota net of scheduled repurchases, depending on the seriousness of the member's balance of payments need and the strength of its adjustment effort. The annual and triennial access limits shall not be regarded as targets. Within these limits, the amounts of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

b. The guidelines will be reviewed before the end of 1987 at the time of the annual review of the Decision on the Policy on Enlarged Access.

Decision No. 7600-(84/3)
January 6, 1984, as amended by Decisions Nos. 7841-(84/165), November 16, 1984, 8147-(85/177), December 9, 1985, and 8459-(86/189), December 1, 1986

POLICY ON ENLARGED ACCESS: USE OF ORDINARY AND BORROWED RESOURCES

The Fund decides that, after December 31, 1986, the proportions of ordinary and borrowed resources to be used under stand-by or extended arrangements approved in accordance with Decision No. 6783-(81/40) on the Policy on Enlarged Access will be as follows:

(a) Under a stand-by arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 2 to 1 in the first credit tranche, and 1 to 2 in the next three credit tranches. Thereafter, purchases will be made with borrowed resources only.

(b) Under an extended arrangement, purchases will be made with ordinary resources and borrowed resources in the
ratio of 1 to 2 until the outstanding use of the upper credit tranches and the extended Fund facility equals 140 percent of quota. Thereafter, purchases will be made with borrowed resources only.

Decision No. 8487-(86/205)*
December 19, 1986

The Chairman's Summing Up at the Conclusion of the Discussion on Criteria for the Amount of Access in Individual Cases—December 2, 1983

The thoughtful and frank comments of Executive Directors during the discussion were of great benefit to the staff and management. As has been suggested by a number of Directors, I will sum up the discussion rather than attempt to reformulate the proposed criteria in Section V of the staff paper EBS/83/233.

A number of Executive Directors noted that the broad thrust of the staff paper, particularly Section II, "Considerations Governing Amount of Access," was acceptable to them. I will now try to summarize the discussion; in doing so, I will note the reservations and nuances that have been expressed by several Directors, without referring back to the staff paper in detail. I have noted, in particular, the following nine points that were emphasized by Executive Directors:

1. The criteria for the use of the Fund's resources contained in the decision on the policy on enlarged access remained valid and would continue to be applied on a case-by-case basis.

2. The access limits of 102 percent or 125 percent of quota set out in paragraph 5(c) of the communiqué of the Interim Committee were not to be regarded as targets or entitlements.

3. The considerations pertaining to the use of Fund resources under the existing decision on enlarged access would continue to be applied in determining the amounts of individual access in...
SELECTED DECISIONS OF EXECUTIVE BOARD

what several Executive Directors had called the continuum going from 0 to 102 or 125 percent of quota. Clearly, the criteria of the member’s need and the strength of the adjustment program would be major guiding factors in setting those individual amounts. In response to comments made by some Directors, I can state that the staff did not intend to make use of the Fund’s resources in the range between 102 percent and 125 percent of quota subject to a finding of “exceptional circumstances,” in the sense of what governs access beyond the upper limit. In bringing forward requests by members for the use of the Fund’s resources under the enlarged access policy, the staff will try to explain more fully how it had come to the access limits proposed in each case, in light of the framework that has emerged from the views expressed by the Executive Board.

4. The Fund should apply its criteria with the necessary flexibility and not in a mechanical way. Rather, the policy should be applied on the basis of experience and taking into account the analytical studies of the staff and the Board discussions of the staff papers. Today’s staff paper was part of that background material.

5. The Executive Board preferred not to codify the exceptional circumstances that might entail utilization of the Fund’s resources beyond the upper limit of 125 percent. In particular, the Board was opposed to singling out the impairment of the international monetary system as a criterion, because it might imply special treatment for larger countries. Several Directors had noted that, in their view, there might well be a good case for emphasizing the circumstances of smaller countries with no access to financial markets.

6. After a thorough discussion of the concept of the Fund’s role as a catalyst, a number of Directors expressed the fear that this concept could lead to withholding the support of the Fund for countries with large problems and little or no access to financial markets. A number of other Directors stressed that in providing assistance to member countries where the process of
reaching balance of payments viability would be lengthy, the Fund should be guided by the principle of the revolving and temporary character of the use of the Fund's resources. Directors would have another opportunity to discuss that issue when they considered the paper that the staff was preparing on continuous use of Fund resources for long periods. A number of Directors stressed the importance of adapting the adjustment period to the circumstances of the country. All Directors agreed that the Fund should continue to concern itself with the type of cases referred to in this paragraph, and develop even closer links with the World Bank for this purpose.

7. A number of Directors expressed the view that the problem of small-quota, low-income countries had been dealt with inadequately in the staff paper, and that the Fund should carry out the injunction of the Interim Committee in paragraph 5(f) of its communiqué that, "in implementing its policies on access to its resources, the Fund should be particularly mindful of the very difficult circumstances of the small-quota, low-income member countries." A number of Directors felt that in considering such cases, the Fund should bear in mind that the limit of SDR 25 million for a small quota was outdated, and should be the subject of further consideration.

8. A number of Directors felt that the staff paper was biased against the use of the extended Fund facility. I wish to emphasize that that had not been the intention; on the occasion of the recent discussion in the Executive Board on the review of past programs under stand-by and extended arrangements, I stated that the staff and management had the firm intention of continuing to make use of the extended Fund facility, which had a valuable role to play but, of course, conditions would have to be adequate.

9. Several Directors called for a review of the Fund’s borrowing requirements for 1984 and beyond, and for more of an indication of the methods of financing them. The methods of financing the resources that the Fund might need to borrow in

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1984 could not be decided until the scale of the commitments to members and the size of the present commitment gap were better known. When they came to consider the liquidity position of the Fund in the first months of 1984, Executive Directors would be asked to express their views on how the Fund should meet its borrowing needs, in light of the amounts required. Some Directors emphasized that if requests for augmentation of existing arrangements on the basis of the new quotas and the new access limits were to be received, they would have to be dealt with on a case-by-case basis, in the light of needs and the merits of particular cases.

Attachment
EBS/83/233

II. Considerations Governing Amount of Access

Under the decision on enlarged access, a request for the Fund’s resources will be met only if the Fund is satisfied that the payments imbalance that the member faces is large in relation to its quota, that the member’s financing need from the Fund exceeds the amount available to it in the credit tranches or under the extended Fund facility, and that its problem requires a relatively long period of adjustment and a period of repurchases longer than three-to-five years. The decision further states that the period of a stand-by arrangement involving enlarged access will normally exceed one year and may extend to three years, and the period of an extended arrangement will be normally three years. In practice the Fund has considered successive one-year stand-by arrangements, formulated within a medium-term strategy of steady progress toward a sustainable balance of payments position to be consistent with this decision, when the amount of the arrangement is greater than that available in the credit tranches.

The considerations that need to be taken into account in determining the amount of access in individual arrangements and
current practice on access have been discussed in recent staff papers, in particular in EBS/83/132 (6/27/83), and may be briefly recapitulated here. The first important consideration is the member's actual or potential need for resources from the Fund, taking into account other sources of financing and the desirability of maintaining a reasonable level of reserves; in no circumstances can access be greater than this need. The second important consideration stems from the need to preserve the revolving character of the resources that the Fund provides, i.e., the ability of the member to service its indebtedness to the Fund. In determining the case for Fund support and the amount involved, the timing and extent of the expected improvement in the member's balance of payments are relevant factors. It follows that adjustment policies in support of which the Fund's resources are to be used must be designed and implemented in such a manner as to lead to a strengthening of the balance of payments by the time the repurchases begin to fall due and of a sufficient extent to allow the member to make the repurchases without strain. Finally, the amount of the member's outstanding use of Fund credit and its record in using Fund resources in the past must enter into the judgment on the appropriate scale of further use of the Fund.

Under the policy on enlarged access, repurchases of borrowed resources begin three-and-one-half years after the purchase, whether under a stand-by or extended arrangement. Repurchases of ordinary resources under a stand-by arrangement must be made during the regular 3 to 5 year period after the purchase, while repurchases of ordinary resources under an extended arrangement must be made during a 4 to 10 year period after the purchase. For stand-by arrangements, it should therefore be expected that substantially all adjustment measures would be implemented at an early stage and there would be significant progress to balance of payments viability by the end of the three years, in order that repurchases could be made as scheduled.

To ensure that the program allows repurchases to be made, a
balance of payments projection well into the repurchase period must show that progress toward a viable balance of payments position is being achieved. This can be indicated by a diminishing need for exceptional finance in general, and that to be provided by the Fund in particular, over the period. The policy measures already in place or being introduced must be commensurate with those needed to continue this progress at the required rate. This subject is discussed in the recent paper reviewing upper credit tranche stand-by arrangements and conditionality (EBS/83/215, 10/4/83).

These basic principles have to be applied in a flexible way because of the great variety of the member’s circumstances and the uncertainties that attend economic projections and programming. Access at or close to the annual limit of 102 percent of quota is justified where the member’s outstanding use of the Fund’s resources is not large, where the member has undertaken a comprehensive adjustment program adequate to bring about a rapid turnaround in the balance of payments, and where the Fund is satisfied that on the basis of the member’s past record and its present circumstances, it has the ability and willingness to implement the program. The Fund support might appropriately be given in the form of an extended arrangement in some of these cases. Substantial Fund financing may frequently be a critical element in restoring confidence of the international financial community in the policies of the country and thus reviving capital flows.

In these cases where the member has an especially large need for financing from the Fund, and where, based on all relevant information, the strength of the adjustment effort is such that the balance of payments improvement will be quick, sufficient, and durable, Fund financing could exceed the 102 percent limit and reach up to the 125 percent limit. Moreover, as reaffirmed by the Interim Committee, the Fund should have the flexibility in exceptional cases of going beyond the latter limit.
The Fund has recognized that even full implementation of a program or programs may not necessarily guarantee the achievement of the desired balance of payments outcome; moreover, even if the outcome were to turn out to be fully as planned, new problems could arise before repurchases were completed, calling for a supplementary adjustment effort. The Fund should continue to have the flexibility to provide financial support in these circumstances, even though this might prolong the period of use of its resources by a member. This policy approach is implicit in the fact that the cumulative limit allows additional Fund financing even when a member has obtained the maximum possible amount of support for a period of three years.

There are also circumstances where it is clear at the outset that the adjustment period will have to be stretched beyond three years. In these cases Fund support should normally be in the form of successive shorter-term stand-by arrangements, each arrangement being formulated within the framework of a medium-term strategy of balance of payments adjustment. In view of the possible association of the Fund over a number of years, Fund financing in each individual year should be in moderate amounts, that is, well below the limit of 102 percent. Moreover, such support must be associated with the prospect of a significant reduction in balance of payments pressures within a reasonable period so that the member will be in a position to make the repurchases on schedule and in less straitened circumstances than when the corresponding drawings were made.

In a quite different category are situations where the Fund's role is likely to be primarily that of a catalyst. The weakness of a member's balance of payments may be such that it is questionable whether a sustainable position not requiring exceptional finance can be achieved over the medium term. A principal factor causing this weakness is often the existing burden of debt service. In some of these cases the debt service problem may be due in part to the large outstanding use of the Fund by the member and further substantial purchases from the Fund would only aggra-
vate the difficulties. In other cases, a substantial improvement in the balance of payments may call for fundamental economic changes which cannot be achieved within a medium-term time frame. In all these situations Fund financing on a limited scale is justified if the member is taking appropriate steps to deal with its situation and such support will maintain the confidence of other creditors. The great bulk of the external financing must normally be provided on appropriate terms from sources other than the Fund. If sufficient external financing cannot be obtained, the Fund cannot be the residual source of finance, and there would thus be no basis for the Fund to support the adjustment program. The amount of the financing need that can be met from the Fund must be closely related to the expected rate of improvement in the overall balance of payments, and there should be a clear prospect of the member making net repurchases with a view to restoring its credit tranche position, thus preventing the use of Fund resources acquiring a semipermanent character.

**STAND-BY ARRANGEMENTS**

The Fund is prepared to consider requests by members for stand-by arrangements designed to give assurance that, during a fixed period of time, transactions up to a specified amount will be made whenever a member requests and without further consideration of its position, unless the ineligibility provisions of the Fund Agreement have been invoked. The following paragraphs set forth the general framework for stand-by arrangements:

1. Stand-by arrangements will be limited to periods of not more than six months. They can be renewed by a new decision of the Executive Board. If a member believes that the payments problems it anticipates (for example, in connection with positive programs for maintaining or achieving convertibility) can be adequately provided for only by a stand-by arrangement of more than six months, the Fund will give sympathetic consideration to a request for a longer stand-by

*For the form of stand-by arrangements, see pages 62-67.*
arrangement in the light of the problems facing the member and the measures being taken to deal with them. With respect to stand-by arrangements for periods of more than six months, the Fund and the member might find it appropriate to reach understandings additional to those set forth in this decision.

2. In considering the request for a stand-by arrangement or renewal of a stand-by arrangement, the Fund will apply the same policies that are applied to requests for immediate drawings, including a review of the member's position, policies and prospects in the context of the Fund's objectives and purposes. The Fund will agree to a stand-by arrangement only for a member that is in a position to make purchases of the same amount of exchange from the Fund.

3. There will be specified in each stand-by arrangement the transactions which may be made under that arrangement.

4. A member having a stand-by arrangement will have the right to engage in the transactions covered by the stand-by arrangement without further review by the Fund. This right of the member can be suspended only with respect to requests received by the Fund after: (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions either generally (under Article XVI, Section 1(a)(ii)) or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of the member. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph, purchases under this stand-by arrangement will be resumed only after consultation has taken place between the Fund and the member and agreement has been reached on the terms for the resumption of such purchases.

*Corresponds to Article XXVII, Section 1(a)(i) of the Articles of Agreement after the Second Amendment.
5.* ......................................................
6.* ......................................................

7. This decision shall continue in effect subject to review by the Executive Board from time to time as circumstances warrant.

**Decision No. 270-(53/95)**
December 23, 1953, as amended by
Decisions Nos. 876-(59/15), April 27, 1959,
and 1151-(61/6), February 20, 1961

**FORMS OF STAND-BY AND EXTENDED ARRANGEMENTS UNDER ENLARGED ACCESS POLICY**

The Executive Board approves the forms of stand-by and extended arrangements contained in Attachments A and B [below] that will be used by the Fund to provide for Enlarged Access to the Fund's resources under Decision No. 6783-(81/40), adopted March 11, 1981.

**Decision No. 6838-(81/70),**
April 29, 1981, as amended by
Decisions Nos. 7048-(82/13), February 5, 1982;
7688-(84/70), May 1, 1984; and
7908-(85/26), February 20, 1985

**Attachment A**

Form of Stand-By Arrangement Under Enlarged Access Policy

Attached hereto is a letter [, with annexed memorandum,] dated ________________ from (Minister of Finance and/or

*For the subject matter of paragraphs 5 and 6, charges for stand-by arrangements, see Rule 1-8 of the Rules and Regulations in By-Laws, Rules and Regulations, Forty-Third Issue, August 1, 1986.

**A section of this decision, not reproduced, provides that Decision No. 102-(52/11) would continue in effect after 1953 subject to review from time to time.
Governor of Central Bank) requesting a stand-by arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this stand-by arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue the [first year] of this stand-by arrangement; and

(c) understandings of (member) with the Fund regarding [a] review[s] that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1.¹ [For a period of ____ years from ___________] [For the period from _______ to ___________] (member) will have the right to make purchases from the Fund in an amount equivalent to SDR______, subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2.¹ (a) Until (end of first year) purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR______, provided that purchases shall not exceed the equivalent of SDR______ until ___________, the equivalent of SDR_________ until _____________, and the equivalent of SDR______ until ___________.

(b) The right of (member) to make purchases during the remaining period of this stand-by arrangement shall be subject to such phasing as shall be determined.

(c) None of the limits in (a) or (b) above shall apply to a

¹The text would be adapted for a stand-by arrangement for only one year.
purchase under this stand-by arrangement that would not increase the Fund’s holdings of (member’s) currency in the credit tranches beyond 25 per cent of quota or increase the Fund’s holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota.

3. Purchases under this stand-by arrangement shall be made from . . . 2, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. (Member) will not make purchases under this stand-by arrangement that would increase the Fund’s holdings of (member’s) currency in the credit tranches beyond 25 per cent of quota or increase the Fund’s holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota:

(a) during any period in the first year in which [the data at the end of the preceding period indicate that] 3

(i) [the limit on domestic credit described in paragraph ____ of the attached letter], or

(ii) [the limit on credit to the public sector described in paragraph ____ of the attached letter], or

(iii) . . . [These provisions would incorporate other quantitative performance criteria of the program] are not observed; or

(b) if (member) fails to observe the limits on authorizations of new public and publicly guaranteed foreign indebtedness described in paragraph ____ of the attached letter; or

2 The text to be added will depend on the situation of the member at the time.

3 The performance criteria enumerated here are indicative only.
(c) during the second or third year of this stand-by arrangement until suitable performance criteria have been established in consultation with the Fund as contemplated by paragraph ___ of the attached letter, or after such performance criteria have been established, while they are not being observed; or

(d) during the entire period of this stand-by arrangement, if (member)

(i) imposes [or intensifies] restrictions on payments and transfers for current international transactions, or

(ii) introduces [or modifies] multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes [or intensifies] import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. (Member) will not make purchases under this stand-by arrangement during any period of the arrangement in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a noncomplying purchase.

6. (Member's) right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to

4These subparagraphs would be adapted in accordance with the period of the stand-by arrangement.
requests received by the Fund after (a) a formal ineligibility, or
(b) a decision of the Executive Board to suspend transactions,
either generally or in order to consider a proposal, made by an
Executive Director or the Managing Director, formally to
suppress or to limit the eligibility of (member). When notice of a
decision of formal ineligibility or of a decision to consider a
proposal is given pursuant to this paragraph 6, purchases under
this arrangement will be resumed only after consultation has
taken place between the Fund and (member) and understandings
have been reached regarding the circumstances in which such
purchases can be resumed.

7. Purchases under this stand-by arrangement shall be made
in the currencies of other members selected in accordance with
the policies and procedures of the Fund, and may be made in
SDRs if, on the request of (member), the Fund agrees to provide
them at the time of the purchase.

8. The value date for purchases under this stand-by ar-
rangement involving borrowed resources will be determined in
accordance with Rule G-4(b) of the Fund’s rules and regulations.
(Member) will consult the Fund on the timing of purchases
involving borrowed resources in accordance with Rule G-4(d).

9. (Member) shall pay a charge for this stand-by arrangement
in accordance with the decisions of the Fund.

10. (a) (Member) shall repurchase the outstanding amount of
its currency that results from a purchase under this stand-by
arrangement in accordance with the provisions of the Articles of
Agreement and decisions of the Fund, including those relating to
repurchase as (member’s) balance of payments and reserve
position improves.

(b) Any reductions in (member’s) currency held by the
Fund shall reduce the amounts subject to repurchase under (a)
above in accordance with the principles applied by the Fund for
this purpose at the time of the reduction.
(c) The value date of a repurchase in respect of a purchase financed with borrowed resources under this stand-by arrangement will be normally either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that repurchase will be completed not later than seven years from the date of purchase.

11. During the period of the stand-by arrangement (member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

12. In accordance with paragraph ______ of the attached letter (member) will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation

Version A

[because any of the criteria in paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while (member) has outstanding purchases in the upper credit tranches, the government will consult with the Fund from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member's) balance of payments policies.]

Version B

[because he considers that consultation on the program is desirable.]
Attachment B

Form of Extended Arrangement Under Enlarged Access Policy

Attached hereto is a letter [., with annexed memorandum,] dated _______________ from (Minister of Finance and/or Governor of Central Bank) requesting an extended arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this extended arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue for the first year of this extended arrangement; and

(c) understandings of (member) with the Fund regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for second and third years of this extended arrangement.

To support these objectives and policies the International Monetary Fund grants this extended arrangement in accordance with the following provisions:

1. For a period of [three years] from ______ (member) will have the right to make purchases from the Fund in an amount equivalent to SDR ______, subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2. (a) Until (end of first year) purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR ______, provided that purchases shall not exceed the equivalent of SDR ______ until ______, the equivalent of SDR ______ until ______, and the equivalent of SDR ______ until ______.

(b) Until (end of second year) purchases under this extended
arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR_____.

(c) The right of (member) to make purchases during the second and third years shall be subject to such phasing as shall be determined.

3. Purchases under this extended arrangement shall be made from . . .1 provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. (Member) will not make purchases under this extended arrangement:

   (a) throughout the first year, during any period in which [the data at the end of the preceding period indicate that]2

      (i) [the limit on domestic credit described in paragraph _____ of the attached letter], or

      (ii) [the limit on credit to the public sector described in paragraph _____ of the attached letter], or

      (iii) . . . [These provisions would incorporate other quantitative performance criteria of the program] are not observed; or

   (b) if (member) fails to observe the limits on authorizations of new public and publicly guaranteed foreign indebtedness described in paragraph _____ of the attached letter; or

   (c) throughout the second and third years, if before the beginning of the second year and the beginning of the third year of the extended arrangement suitable performance clauses have not been established in consultation

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1The text to be added will depend on the situation of the member at the time.
2The performance criteria enumerated here are indicative only.
with the Fund as contemplated in paragraph ____ of the attached letter or such clauses, having been established, are not being observed; or

(d) throughout the duration of the extended arrangement, if (member)

(i) imposes [or intensifies] restrictions on payments and transfers for current international transactions, or

(ii) introduces [or modifies] multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes [or intensifies] import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this extended arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. (Member) will not make purchases under this extended arrangement during any period in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase.

6. (Member's) right to engage in the transactions covered by this extended arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of (member). When notice of a
decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 6, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

7. Purchases under this extended arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of (member), the Fund agrees to provide them at the time of the purchase.

8. The value date for purchases under this extended arrangement involving borrowed resources will be determined in accordance with Rule G-4(b) of the Fund's rules and regulations. (Member) will consult the Fund on the timing of purchases involving borrowed resources in accordance with Rule G-4(d).

9. (Member) shall pay a charge for this extended arrangement in accordance with the decisions of the Fund.

10. (a) (Member) shall repurchase the amount of its currency that results from a purchase under this extended arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as (member's) balance of payments and reserve position improves.

(b) Any reductions in (member's) currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

(c) The value date of a repurchase in respect of a purchase financed with borrowed resources under this extended arrangement will be normally either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that repurchase will be completed not later than seven years from the date of purchase.
11. During the period of the extended arrangement (member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

12. In accordance with paragraph [Blank] of the attached letter (member) will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation because any of the criteria under paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the extended arrangement and while (member) has outstanding purchases under this extended arrangement, the government will consult with the Fund from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member’s) balance of payments policies.

ELIMINATION OF AUGMENTATION OF RIGHTS TO PURCHASE UNDER STAND-BY AND EXTENDED ARRANGEMENTS

The texts of stand-by and extended arrangements approved after the date of the Second Amendment, including the texts of such arrangements in connection with the supplementary financing facility shall not provide for the augmentation of rights to make purchases under the arrangements.

Decision No. 5706-(78/39)
March 22, 1978
EXCLUSION OF CREDIT TRANCHES AND EXTENDED FACILITY

1.* .................................................................

2.** .................................................................

3. In paragraph 1 of the standard form of stand-by and extended arrangements the words "after making full use of any reserve tranche that it may have at the time of making a request for a purchase under this arrangement," shall be deleted.

4. The amendment of stand-by and extended arrangements pursuant to paragraph 3 above shall apply also to purchases made and holdings acquired after the date of this decision under arrangements approved prior to the date of this decision.

5. The Fund will review this decision before April 30, 1984.

   Decision No. 6830-(81/65)
   April 22, 1981, effective May 1, 1981

AMENDMENT OF STAND-BY AND EXTENDED ARRANGEMENTS TO UTILIZE SUPPLEMENTARY FINANCING

a. Utilization of Supplementary Financing

   The Executive Board approves the utilization of supplementary financing along the lines proposed by the Managing Director in his statement [below].

   Decision No. 7047-(82/13)
   February 5, 1982

   Managing Director's Statement

   1. Members expected to conclude new stand-by or extended arrangements prior to February 22, 1982 will be asked to agree to the inclusion of a provision in the arrangement that would permit the Fund, at its discretion, to substitute any available SFF resources for enlarged access resources (EAR) in amounts determined by the Managing Director at the time of the purchase.

*Paragraph 1 of this decision appears on page 358.
**Paragraph 2 of this decision is incorporated in paragraph 4(a) of Decision No. 4377-(74/114); see page 35.
Commitments under arrangements likely to be concluded between now and February 22, 1982 are expected to be relatively small, and therefore members with existing arrangements under the EAR policy will also be asked to agree, before February 22, 1982, to the inclusion of the same clause in their respective arrangements in order to permit the Fund to substitute, at its discretion, SFF resources for EAR resources. At present, 15 members have concluded arrangements under the enlarged access policy for an amount totaling SDR 10.14 billion, of which SDR 5.86 billion is required to be financed with borrowed funds.

2. Each quarter, at the time of the operational budget, a review would be made (i) of the amount of SFF funds available because of canceled or expired arrangements (and toward the end of the disbursement period SFF resources might also be usable because country programs are irretrievably off track and the members would not be able to draw under their arrangements), and (ii) of the amount of SFF lines of credit that could be called upon.

3. If the Fund's total obligations to supply SFF funds were less by a reasonable safety margin (to cover actually and potentially weak lenders) than the total of undisbursed usable SFF lines of credit, these lines of credit could be called upon to finance purchases in the forthcoming calendar quarter by those members that had agreed to permit the Fund to substitute SFF resources for EAR resources.

I would like to make four comments regarding this proposed scheme. First, I have stressed that the relevant arrangements must be approved or amended not later than February 22, 1982, because I do not believe we should attempt to renegotiate the SFF borrowing agreements to extend them beyond the terminal date originally agreed by the lenders. The proposal is aimed at maximizing the Fund's use of the SFF and not at prolonging the SFF arrangements. I would like to assure the lenders, in particular, on that score.

Second, the proposal is not intended to commit the Fund to supply SFF resources beyond that which already exists. The Fund will not enter into any new commitments to supply SFF funds except in conformity with the existing decision, which allows the Fund to recommit SFF resources in those stand-by and extended arrangements that replace arrangements that at present provide for SFF funds. Beyond that, the Fund will use SFF borrowed funds in substitution for EAR funds only if and when SFF funds are available.

Thirdly, in disbursing SFF funds in substitution for EAR funds during a quarter, the aim will be to prorate SFF substituted funds among purchasing members during the quarter in a manner that would take into account the availability of SFF funds during the quarter.
Finally, Directors are aware that SFF resources carry a subsidy element when used by eligible beneficiaries. Consequently, a release of SFF resources by members that are not eligible for the SFF subsidy to members that are eligible beneficiaries could increase the overall cost of the SFF subsidy. At present, we estimate the cost of the SFF subsidies at slightly less than SDR 600 million. On present indications, the bulk of SFF resources that are likely to be released because present arrangements are canceled or expire will be released by members that are already eligible for the SFF subsidy. We do not, therefore, anticipate any material change in the net cost of the SFF subsidy. It would also seem possible to accommodate under the existing financing arrangements for the SFF subsidy account a transfer of SFF resources to members that are eligible for a subsidy as a result of canceled or expired arrangements from members that are not eligible for a subsidy. For example, if SDR 1 billion of SFF funds were released from members that were not eligible for the SFF subsidy to eligible beneficiaries it is estimated that the increase in the overall cost of the SFF subsidy would amount to approximately SDR 125 million, i.e., the total cost would be within the SDR 750 million to be transferred from the Trust Fund, leaving aside bilateral contributions of SDR 67 million so far received or committed.

b. Forms of Stand-By and Extended Arrangements

1. Paragraph 3 of stand-by and extended arrangements involving borrowed resources approved between February 5 and 22, 1982, shall, if the member consents, read as follows:

Purchases under this [stand-by] [extended] arrangement shall be made from [e.g., borrowed resources until purchases under this arrangement reach the equivalent of SDR _________________], then from ordinary and borrowed resources in the ratio of 1 to 1.2 until purchases under this arrangement reach the equivalent of SDR _________________, and then from borrowed resources, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification; and provided further that amounts of supplementary financing may be substituted for borrowed resources as determined by the Managing Director at the time of a request by [member] for a purchase [prior to February 22, 1984].

2. Paragraph 3 or its equivalent of any stand-by or extended arrangement in effect involving borrowed resources, that was approved before February 5, 1982, shall be amended as set forth
in paragraph 1 above if the Fund receives a request from the member to that effect on or before February 22, 1982.

Decision No. 7048-(82/13)
February 5, 1982

OVERDUE PAYMENTS TO THE FUND—PURCHASES FROM FUND

1.*

2.*

3. Other stand-by or extended arrangements granted by the Fund after the date of this decision shall include also the provision in 1 or 2 above.

4. The provision in 1 and 2 above shall be included also in an existing stand-by or an extended arrangement when the Fund and the member reach understandings regarding the circumstances in which further purchases may be made under the arrangement.

5. Decision No. 7678-(84/62), April 20, 1984, shall cease to apply in respect of a stand-by or an extended arrangement that includes the provision in 1 or 2 above.

Decision No. 7908-(85/26)
February 20, 1985

The Executive Board unanimously reaffirmed the existing practices . . . that management will not submit to the Board any requests for the use of Fund resources under a stand-by or extended arrangement as long as the member concerned has overdue payments to the Fund.

There was more debate whether the Fund should engage in discussions or resume discussions on the use of Fund resources with a member that is in arrears to the Fund. On the whole, the

*For paragraphs 1 and 2, see paragraph 5 of Attachments A and B to Decision No. 6838-(81/70) on pages 65, 70.
practice of not entering into discussion in those circumstances was confirmed.

This does not mean that we are not going to continue discussions . . . with members with overdue payments; but . . . discussions [are] confined quite precisely to assisting the members to organize their affairs in order to permit the payment of the overdue obligations . . . . Far from cutting our lines of communication, we should do what we can to keep them open. But we should direct the discussions toward enabling the country to make repayments.

EBM/84/54, pp. 37–38

The Chairman's Summing Up at the Conclusion of the Discussion on Overdue Financial Obligations to the Fund
Executive Board Meeting 85/170—November 25, 1985

. . . [M]ember countries in arrears should be induced to give priority to actions that are designed specifically to enable them to repay the Fund. In addition, they should introduce corrective measures at an early stage to improve their economic policies and to avoid the emergence and further accumulation of arrears to the Fund.

. . . [T]he Fund should keep open its channels of communication with countries in arrears in order to help them formulate adjustment policies and to catalyze external assistance so that these concerted efforts can ultimately be supported by Fund assistance and lead—prior to the Fund's formal commitment to providing such assistance—to settlement of the arrears.

. . . [I]ntervals between Board reviews should be put to good use; they should never be seen as grace periods or as periods in which a member is excused from making every effort to settle its arrears to the Fund. . . .
A majority of Directors favor reducing the period between the emergence of arrears and the first substantive consideration of a complaint. These Directors felt that the present five-month period was too long, as it has tended to coincide with a buildup of arrears that has made it more difficult to tackle the matter; earlier involvement by the Board would have been helpful. Although some Directors favor taking a flexible approach to this period, a majority clearly supports limiting the period to three months. Issuing the complaint two months after arrears have arisen instead of three months would certainly be consistent with today's discussion. The review period following the first substantive consideration would remain three months, but the three months would be considered an outer limit: the decision on the actual timing in each case should take into account the particular circumstances and the performance of the member.

A majority of Directors felt that once a member has been declared ineligible to use the Fund's resources the Board should not wait as long as the next Article IV consultation to discuss the member's arrears situation. The majority of Directors would like to review the member's situation every six months.

**Misreporting and Noncomplying Purchases Under Fund Arrangements—Guidelines on Corrective Action**

In a few cases, it has been found that a member has made a purchase under a stand-by or extended arrangement which it was not entitled to make by the terms of the arrangement (a "noncomplying purchase"). The purchase was permitted because, on the basis of the information available to it at the time, the Fund was satisfied that all performance criteria that were applicable to the purchase under the arrangement, or other conditions applicable to purchases under the terms of the decisions on the arrangement, had been observed, but this information later proved to be incorrect. When such a case arises in the future, the member will be called upon to take corrective action regarding a noncomplying purchase, to the extent that it
is still outstanding, either by repurchase or by the use of its currency in transactions and operations of the Fund, unless the Fund decides that the circumstances justify the member's continued use of the purchased resources. Steps should also be taken to improve the accuracy and completeness of the information to be reported to the Fund by the member under the arrangement and to define performance criteria and other applicable conditions in a manner that would facilitate accurate reporting.

The Fund adopts the following guidelines, which shall apply to purchases made after the date of this decision:

1. Whenever evidence comes to the attention of the Fund indicating that a performance criterion or other condition applicable to an outstanding purchase made within the previous two years under a stand-by or extended arrangement may not have been observed, the Managing Director shall promptly inform the member concerned.

2. If, after consultation with the member, the Managing Director finds that, in fact, the criterion or condition was not observed, he shall promptly notify the member of his finding. At the same time, he shall submit a report to the Executive Board together with his recommendations, which may include a recommendation that the member be called upon to take corrective action pursuant to paragraph 3 or that the non-observance be waived pursuant to paragraph 4. The recommendations of the Managing Director shall be submitted to the Executive Board on a lapse-of-time basis giving Executive Directors a period of at least 10 days during which they could ask that the matter be placed on the agenda of the Executive Board for consideration.

3. Unless the decision of the Executive Board is to grant a waiver pursuant to paragraph 4 or to take other action, the member shall be expected to repurchase from the Fund the outstanding amount of its currency resulting from the noncom-
pling purchase normally within a period of 30 days from the
date of the Executive Board decision referred to in paragraph 2.
Instead of repurchasing, the member may request the Fund to use
an equivalent amount of its holdings of the member’s currency in
the Fund’s transactions and operations, but if such use cannot be
made within 20 days from the date of the Executive Board
decision the member shall be expected to make a repurchase in
accordance with this paragraph.

4. A waiver will normally be granted only if the deviation
from the relevant performance criterion or other condition was
minor or temporary, or if subsequent to the purchase the member
had adopted additional policy measures appropriate to achieve
the objectives of the program supported by the arrangement
under which the purchase was made.

5. If a repurchase pursuant to the expectation under
paragraph 3 has not been effected, the Managing Director shall
submit promptly a report to the Executive Board accompanied by
a proposal on how to deal with this matter, in which he may
recommend that the Fund initiate action under Article V,
Section 5 of the Articles.

6. Provision shall be made in Fund arrangements for the
suspension of further purchases under an arrangement whenever a
member fails to meet a repurchase expectation pursuant to these
guidelines.

7. Nothing in these guidelines shall limit the power of the
Fund to take, in cases of noncomplying purchases, other action
that could be taken pursuant to the Fund’s Articles and Rules.

Decision No. 7842-(84/165)
November 16, 1984

The Executive Board agreed . . . that, if a member were failing
to meet a repurchase expectation pursuant to the Guidelines on
Corrective Action with respect to a noncomplying purchase, the Fund would not negotiate or approve either a stand-by or extended arrangement for the member or the use of the Fund's general resources outside an arrangement, as in the case of an overdue financial obligation to the Fund.

EBM/85/26, page 19

RELATIONSHIP BETWEEN PERFORMANCE CRITERIA AND PHASING OF PURCHASES UNDER FUND ARRANGEMENTS—OPERATIONAL GUIDELINES

(1) As a general rule, every effort should be made to limit the lag between the beginning of the annual program period and the date of discussion by the Executive Board of supporting annual arrangement (or the annual segment of a multiyear arrangement) to a minimum. This would facilitate the inclusion of quarterly performance criteria throughout the program period and of purchases throughout the period of the arrangement, thereby strengthening the link between Fund financing and adjustment.

(2) Particular attention should be given to minimizing lags in reporting of data relating to performance criteria without loss of reliability of data. It would be reasonable for the Fund to expect that all members seeking the Fund's support should be able to limit reporting lags to two months. In very exceptional cases where reporting lags exceed two months, the staff will explain the reasons for such lags as well as the steps being taken to reduce them.

(3) Every effort should be made to limit the period between the approval of an adjustment program by management and the date when the supporting arrangement is discussed by the Executive Board to no more than three months. Should the period be exceeded, the staff would confirm before the Board discussion of the arrangement that the program as originally proposed remains generally appropriate. In those exceptional cases where the delay indicates a significant slippage in the
implementation of the agreed program, the staff would renegotiate the program, including the performance criteria and phasing of purchases.

(4) There would be no fewer than four purchases during a 12-month period of the arrangement, five being the preferred course of action. The purchase dates would also be distributed as evenly as possible throughout the arrangement. However, problems have often been experienced in this regard because of a bunching of the first two purchases under an arrangement and/or the last purchase occurring unduly early before the end of the arrangement. In order to avoid such problems, as a general rule, the date of the second purchase would not be earlier than two months from the initial purchase on approval of the arrangement and the date of the last purchase would not be earlier than two months before the end of the arrangement. One possible exception would be the case where initial Executive Board approval has been only in principle and final approval follows later by up to 30 days.

(5) The test dates for performance criteria would also be distributed as evenly as possible through the period of the arrangement. Normally the date of the first performance test would not be earlier than the date on which the arrangement becomes effective, and the date of the last performance test would not be earlier than three months from the end of the arrangement.

(6) Every effort should be made to include performance criteria initially for as much of the 12-month period of the Fund arrangement as possible. However, it may not be possible always to establish in advance one or more performance criteria for part of the period of the arrangement because of substantial uncertainties about major economic trends and normal time lags between the completion of negotiations on the arrangement and Board discussion of the arrangement. Taking into account both sets of factors, as well as the actual experience in recent years, it would
be reasonable to expect that, as a normal rule, performance criteria would be included initially which would govern purchases over a period of at least six months of the arrangement. This would normally involve at least two sets of performance criteria. Where this minimum period is not met, the staff report would include a full explanation of the underlying reasons.

(7) As a general rule, indicative targets would be included at the outset for that part of the 12-month arrangement for which performance criteria are yet to be established. Provision will also be made for a review in order to replace these indicative targets later with performance criteria. Indicative targets will also be included for the last month of the arrangement period.

(8) In the case of segments within the framework of a multiyear arrangement, normally performance criteria would be set up to the end of each underlying annual program period. The purchase after the end of the underlying annual program (which may be the last purchase under the preceding segment of the arrangement or the first purchase under the subsequent segment) would be contingent both on understandings being reached with the Fund on the next year's underlying program and on observance of performance criteria for the end of the preceding program period or established in the context of the member's new program, or on a waiver being approved by the Board in the case of nonobservance of these performance criteria.

Decision No. 7925-(85/38)
March 8, 1985

COMPENSATORY FINANCING OF EXPORT FLUCTUATIONS

1. The financing of deficits arising out of export shortfalls, notably those of primary exporting member countries, has always been regarded as a legitimate reason for the use of Fund resources, which have been drawn on frequently for this purpose. The Fund believes that such financing helps these members to continue their efforts to adopt adequate measures toward the solution of
their financial problems and to avoid the use of trade and exchange restrictions to deal with balance of payments problems, and that this enables these members to pursue their programs of economic development with greater effectiveness.

2. The Fund has reviewed its policies to determine how it could more readily assist members, particularly primary exporters, encountering payments difficulties produced by temporary export shortfalls, and has decided that such members can continue to expect that their requests for drawings will be met where the Fund is satisfied that

(a) the shortfall is of a short-term character and is largely attributable to circumstances beyond the control of the member; and

(b) the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

3. Drawings outstanding under this decision may amount to 83* per cent of the member's quota, provided that requests for drawings which would increase the drawings outstanding under this decision beyond 50 per cent of the member's quota will be met only if the Fund is satisfied that the member has been cooperating with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

4. When a member makes a request under this decision and if, in the opinion of the Fund, adequate data on receipts from travel and workers' remittances are available, the member shall specify whether the receipts shall be included or excluded in the calculation of the shortfall. The choice by a member shall continue to apply for a period of five years, except in the case of a member that makes a request under this decision prior to January 1, 1980 and elects to exclude these services at the time of the request.

*This new percentage of quota "shall be reviewed not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity." (Decision No. 7602-(84/3), January 6, 1984)
USE OF FUND'S RESOURCES: ART. V, SEC. 3(a), (b), AND (c)

5. The existence and amount of an export shortfall for the purpose of any drawing under this decision shall be determined with respect to the latest 12-month period preceding the drawing request for which the Fund has sufficient statistical data, provided that a member may request a drawing in respect of a shortfall year for which not more than 6 months of the data on merchandise exports, and 12 months of the data on travel and workers' remittances, are estimated.

6. In order to identify more clearly what are to be regarded as export shortfalls of a short-term character, the Fund, in conjunction with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's exports based partly on statistical calculation and partly on appraisal of export prospects. For the purposes of this decision, the shortfall shall be the amount by which the member's export earnings in the shortfall year are less than the geometric average of the member's export earnings for the five-year period centered on the shortfall year. In computing the five-year geometric average, the Fund, in conjunction with the member, will use an estimate based on a judgmental forecast for the two post-shortfall years. When the Fund allows a member to draw under the proviso in paragraph 5 above, the Fund may use such methods of estimating exports during the period for which sufficient statistical data are not available as it considers reasonable.

7. A member requesting a drawing under the proviso in paragraph 5 above will be expected to represent that, if the amount drawn on the basis of estimated data exceeds the amount that could have been drawn on the basis of actual data for the full 12-month period under paragraph 6 above, the member will make a prompt repurchase in respect of the outstanding drawing, in an amount equivalent to the excess.

8. Whenever the Fund's holdings of member's currency resulting from a drawing under this decision are reduced by the member's repurchase or otherwise, the member's access to this facility, in accordance with its terms, will be restored pro tanto.
9. In order to implement the Fund's policies in connection with compensatory financing of export shortfalls, the Fund will be prepared to waive the limit on the Fund's holdings of 200 per cent of quota, where appropriate. In particular, the Fund will be prepared to waive this limit (i) where a waiver is necessary to permit compensatory drawings to be made under this decision or (ii) to the extent that drawings in accordance with this decision are still outstanding.

Moreover, the Fund will apply its tranche policies to drawing requests by a member as if the Fund's holdings of the member's currency were less than its actual holdings of that currency by the amount of any drawings outstanding under this decision. When drawings are made under this decision, the Fund will so indicate in an appropriate manner.

Decision No. 6224-(79/135)
August 2, 1979, as amended by
Decision No. 7602-(84/3), January 6, 1984

The Executive Board approves the legal interpretation given by the staff in SM/81/234.

The Executive Board agrees for the time being not to change the legal status of a representation to repurchase any amount of overcompensation under the compensatory financing facility.

The Executive Board agrees to maintain the present and past practice under which an overcompensated member would continue to make prompt repurchases, and emphasizes the importance it attaches to maintaining the high standards of prompt repurchase that have generally characterized past experience.

More specifically, the Executive Board agrees, in the light both of past practice and of the nature of overcompensation, that prompt repurchase in the context of the compensatory financing facility decision would mean that the repurchase would normally
be made within a period of 30 days. That understanding should be made clear from the start to members that might be in a position to experience an overcompensation problem in the future.

If the normal period of prompt repurchase referred to in paragraph 4 cannot be respected, a report will be made to the Executive Board within a period of up to two weeks as judged necessary by the management and Treasurer, which report should normally be accompanied by a proposal on how to deal with the question in the most prompt and appropriate manner.

Should experience in the future show an increase in the frequency of cases of overcompensation, or a deterioration in the repurchase behavior attaching to such cases of overcompensation, the Executive Board would review the whole policy issue.

Conclusions

1. It is clear from the record that a representation as to repurchase made by a member pursuant to the present paragraph 7 of the compensatory financing decision does not create a legally binding obligation.

2. Prior to the date of the Second Amendment, the Fund did not have the power to require a purchasing member to accept a repurchase obligation (other than the automatic repurchase obligations of Article V, Section 7), except as a “term” safeguarding the Fund’s interests in cases of purchase involving the granting of a waiver pursuant to Article V, Section 4. Since the date of the Second Amendment, however, the Fund has ample authority to change existing, or to create new, repurchase obligations as it deems appropriate to ensure that the use of its resources is consistent with the purposes of the Fund. Thus, the Fund may, under the provisions of Article V, Section 7 (d),
decide to require members making purchases under the compensatory financing decision in the future on the basis of estimated data to repurchase promptly, as a matter of legal obligation, the amount of any "overcompensation."

COMPENSATORY FINANCING OF EXPORT FLUCTUATIONS: GUIDELINES ON COOPERATION

The Executive Board approves the guidelines on cooperation under the compensatory financing facility set out [below].

Decision No. 7528-(83/140)
September 14, 1983

Attachment

EBS/83/171, Supplement 1

Lower tranche

The criterion—namely, that the Fund is satisfied that the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties—implies a willingness to receive Fund missions and to discuss, in good faith, the appropriateness of the member's policies and whether changes in the member's policies are necessary to deal with its balance of payments difficulties. Where the Fund considers that the existing policies of the member in dealing with its balance of payments difficulties are seriously deficient or where the country's record of cooperation in the recent past has been unsatisfactory, the Fund will expect the member to take action that gives, prior to submission of the request for the purchase, a reasonable assurance that policies corrective of the member's balance of payments problem will be adopted.

Upper tranche

The additional criterion of the upper tranche—namely, that the Fund is satisfied that a member has been cooperating with the
Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties—means that in the light of the action taken by the member and the balance of payments policies being pursued the Fund is satisfied with the member's record of cooperation. The existence of a satisfactory balance of payments position (apart from the effects of the shortfall) or the existence of and broadly satisfactory performance under an arrangement with the Fund, or the adoption of such an arrangement at the time the request for a CFF purchase is made, will be considered to provide evidence of cooperation. However, the existence or the adoption of an arrangement is not a prerequisite. If a member's current and prospective policies were such as would, in the Fund's view, meet the criteria of the use of resources in the credit tranches, the member would be deemed to have been satisfactorily cooperating with the Fund, even though such use was not contemplated at the time of the CFF request.

COMPENSATORY FINANCING OF FLUCTUATIONS IN THE COST OF CEREAL IMPORTS

1. For a period of eight years from May 13, 1981, the Fund will be prepared to extend financial assistance in accordance with the terms of this Decision to members that encounter a balance of payments difficulty produced by an excess in the cost of their cereal imports. The amount of this financial assistance will be determined in accordance with this Decision, which integrates this assistance with that available in accordance with the facility established by the Decision on the Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135)).

2. For a period of three years from the date of a member's first request for a purchase under this Decision, any purchases by the member in respect of its export shortfalls shall be made under this Decision instead of under Decision No. 6224.
3. A member with balance of payments difficulties may expect that its request for a purchase under this Decision will be met if the Fund is satisfied that

(a) any shortfall in exports and any excess costs of cereal imports that result in a net shortfall in the member's exports are of a short-term character and are largely attributable to circumstances beyond the control of the member; and

(b) the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

4. (a) Subject to the limits specified in paragraph 9, a member may request a purchase under this Decision for an amount equal to the net shortfall in its exports calculated as the sum of its export shortfall and the excess in its cereal import costs.

(b) (i) For the calculation of the net shortfall in exports, an excess in exports shall be considered a negative shortfall in exports and a shortfall in cereal import costs shall be considered a negative excess in cereal import costs.

(ii) An export shortfall shall be determined in accordance with Decision No. 6224.

(iii) An excess in cereal import costs shall be determined in accordance with paragraphs 5 and 6.

5. The existence and amount of an excess in the cost of cereal imports shall be determined, for the purpose of purchases under this Decision, with respect to the latest twelve-month period preceding the request for which the Fund has sufficient statistical data, provided that the Fund may allow a member to make a purchase on the basis of estimated data in respect of a twelve-month period ending not later than twelve months after the latest month for which the Fund has sufficient statistical data on the
member's cereal import costs. The estimates used for this purpose shall be made in consultation with the member. The calculation of a member's shortfall or excess in exports and its excess or shortfall in the cost of its cereal imports shall be made for the same twelve-month period.

6. In order to identify more clearly what are to be regarded as excess costs of cereal imports of a short-term character, the Fund, in consultation with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's cereal import costs. For the purposes of this Decision, the excess in a member's cereal imports for the twelve-month period referred to in paragraph 5 shall be the amount by which the member's cereal imports in that twelve-month period are more than the arithmetic average of the member's cereal imports for the five-year period centered on that twelve-month period.

7. The amount of a purchase under this Decision, as defined in paragraph 4, may be either in relation to an export shortfall or to an excess in cereal import costs, or the amount may consist of two components, one relating to an export shortfall and the other relating to an excess in cereal import costs. The total amount of the purchase and the amount of each component are subject to the limits specified in paragraph 9.

8. (a) The part of a purchase relating to an export shortfall, subject to the limit in paragraph 9(b), shall not exceed the lesser of the export shortfall defined in paragraph 4(b)(ii) and the net shortfall in exports defined in paragraph 4(a).

(b) The amount of a purchase relating to an excess in cereal import costs, subject to the limit in paragraph 9(c), shall not exceed the lesser of the excess in cereal import costs defined in paragraph 4(b)(iii) and the net shortfall in exports defined in paragraph 4(a).
9. (a) The total amount of a member’s purchases outstanding under this Decision and Decision No. 6224 shall not exceed an amount equal to 105* per cent of quota, provided that a request for a purchase that would increase the total amount of the member’s purchases outstanding under this Decision and Decision No. 6224 beyond 50 per cent of the quota will be met only if the Fund is satisfied that the member has been cooperating with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

(b) The total amount of a member’s purchases outstanding under Decision No. 6224 and this Decision that are related to export shortfalls shall not exceed 83* per cent of quota.

(c) The total amount of a member’s purchases outstanding under this Decision that are related to the excess in cereal import costs shall not exceed 83* per cent of quota.

10. Where the sum of the export shortfall and cereal import components, as limited by paragraph 9(b) and paragraph 9(c), exceeds the limit specified in paragraph 9(a), the member shall allocate the amount of its purchase as between the two components.

11. Purchases under this Decision and holdings resulting from such purchases shall be excluded pursuant to Article XXX(c) for the purpose of the definition of “reserve tranche purchase.” For the purpose of applying the Fund’s policies on the use of its resources, holdings resulting from the use of the Fund’s resources under the policy set forth in this Decision shall be considered to be separate from the holdings resulting from the

*These new percentages of quota . . . "shall be reviewed not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity." (Decision No. 7602-(84/3), January 6, 1984)
use of the Fund's resources under any other policy, except the policy set forth in Decision No. 6224.

12. When a member requests a purchase on the basis of estimated statistical data the member will be expected to represent that, if the amount of the purchase exceeds the amount that could have been purchased on the basis of actual statistical data, the member will make a prompt repurchase in an amount equivalent to the overcompensation.

13. (a) Subject to paragraph 12, when a reduction in the Fund's holdings of a member's currency is attributed to a purchase under this Decision the member shall attribute that reduction between the outstanding cereal import component and export shortfall component of the purchase.

(b) When the Fund's holdings of a member's currency resulting from a purchase under this Decision or Decision No. 6224 are reduced by the member's repurchase or otherwise, the member's access to the Fund's resources under this Decision will be restored pro tanto, subject to the limits in paragraph 9.

14. (a) After the expiration of the period referred to in paragraph 2, the total amount of the export shortfall components of a member's purchases outstanding under this Decision shall be counted as having been purchased under Decision No. 6224, and the resulting total of the amounts outstanding under Decision No. 6224 and the cereal import components outstanding under this Decision shall not exceed 105* per cent of quota.

*This new percentage of quota "shall be reviewed not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity." (Decision No. 7602-(84/3), January 6, 1984)
(b) The provisions of Decision No. 6224 shall continue to apply to the export shortfall component of a purchase under this Decision after the expiration of the period referred to in paragraph 2 or the expiration of this Decision.

15. In order to implement the Fund's policies in connection with the financing of members' cereal import costs and the compensatory financing of export shortfalls, the Fund will be prepared to waive the limit on the Fund's holdings of 200 percent of quota, (i) when necessary to permit purchases to be made under this Decision or (ii) to the extent that purchases are outstanding under this Decision.

16. The Fund will indicate in an appropriate manner which purchases by a member are made pursuant to this Decision, and the export shortfall component and the cereal import component of each.

17. The Executive Board will review this Decision not later than May 13, 1987.

Decision No. 6860-(81/81)
May 13, 1981, as amended by
Decisions Nos. 7602-(84/3), January 6, 1984
and 7967-(85/69), May 3, 1985

Buffer Stock Financing Facility: The Problem of Stabilization of Prices of Primary Products

1. The Executive Board, having considered the staff study on "The Problem of Stabilization of Prices of Primary Products," decides that the Fund will be prepared to extend assistance to members in connection with the financing of international buffer stocks of primary products in accordance with the principles and subject to the quantitative limits set forth in Chapter III, Section 2, and Annex A of Part II of the study.
2. In accordance with paragraph 1 above, the total of purchases outstanding pursuant to paragraph 1 of this decision shall not exceed 45* percent of quota.

3. In order to carry out the purposes of this decision, the Fund will be prepared to waive the limit on purchases that raise the Fund's holdings above 200 percent of quota, where appropriate.

4. When purchases are made pursuant to paragraph 1 of this decision, the Fund will so indicate in an appropriate manner.

5. ** 

6. In view of the Fund's purposes which include the facilitation of "the expansion and balanced growth of international trade," the Fund, in its consultations with members, will pay increased attention to their policies in the commodity field.

Decision No. 2772-(69/47),
June 25, 1969, as amended by
Decisions Nos. 4913-(75/207),
December 24, 1975, and
7602-(84/3), January 6, 1984

BUFFER STOCK FINANCING FACILITY: FOURTH INTERNATIONAL TIN AGREEMENT

(i) The Fund, having considered the text of the Fourth International Tin Agreement, as adopted by the UN Tin Conference on May 15, 1970, finds that the terms of this Agreement relating to the international tin buffer stock to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47) of June 25, 1969. The Fund expects that an amount

*This new percentage of quota "shall be reviewed not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity." (Decision No. 7602-(84/3), January 6, 1984)

**For paragraph 5, see paragraph 1 of Decision No. 5703-(78/39), reproduced on pages 122-23.
equal to not less than one third of the compulsory contributions due on entry into force of the Agreement under Article 21(a)(ii) of the Agreement will be met from financing other than the use of the Fund's resources under Executive Board Decision No. 2772-(69/47).

(ii) In view of (i) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), a member's requests for purchases in connection with the financing by the member of that part of its compulsory contribution to the buffer stock established under the Fourth International Tin Agreement which the member has been called upon to make under Article 21 of the Agreement and which is in excess of one third of the member's compulsory contribution due under Article 21(a)(ii) of the Agreement.

(iii) The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the Fourth International Tin Agreement by reports that will be made at least once a year, and the Fund may make such review of this Decision as is appropriate in the light of these reports.

Decision No. 3179-(70/102)
November 25, 1970

In applying the provisions of E.B. Decision No. 3179-(70/102), dated November 25, 1970, the Fund decides that, for the purpose of determining the appropriate use of Fund resources under the Decision, any initial contribution made in the form of tin metal under Article 21(a)(ii) of the Fourth International Tin Agreement shall be regarded as equivalent to contributions in cash, valued at the floor price ruling on entry into force of the Agreement.

Decision No. 3351-(71/51)
June 21, 1971
BUFFER STOCK FINANCING FACILITY: FIFTH INTERNATIONAL TIN AGREEMENT

1. The Fund, having considered the text of the Fifth International Tin Agreement, as adopted by the United Nations Tin Conference on June 21, 1975, finds that the terms of this Agreement relating to the international tin buffer stock to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47) of June 25, 1969.

2. In view of (1) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47) as amended by Executive Board Decision No. 4913-(75/207), a member's requests for purchases in connection with the financing by the member of its compulsory contributions to the buffer stock established under the Fifth International Tin Agreement.

3. The Fund decides that any contribution made in the form of tin metal under Article 21 of the Agreement shall be regarded as equivalent to a contribution in cash, valued at the floor price prevailing when the contribution is called up. Any transfer of metal from the buffer stock to a member will be treated as a distribution in currency, valued at the floor price prevailing when the transfer is made.

4. The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the Fifth International Tin Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 5127-(76/91)

June 23, 1976

BUFFER STOCK FINANCING FACILITY: SIXTH INTERNATIONAL TIN AGREEMENT

1. The Fund, having considered the text of the Sixth International Tin Agreement, as established by the United
Nations Tin Conference on June 26, 1981, and applied provisionally among the members who have decided to do so, finds that the terms of this Agreement relating to the international buffer stock established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of paragraph (1) above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's requests for a purchase in connection with the financing by a member of its compulsory contributions to the normal buffer stock established under the Sixth International Tin Agreement, if its request is received in the Fund not later than six months after the date of the contribution or, in respect of contributions made before the date of this decision, not later than 90 days after the date of this decision.

3. A member that has outstanding purchases under this decision
   (a) shall make repurchases in respect of these purchases in accordance with paragraph 1(a) of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and
   (b) will be expected to repurchase at an earlier date than would be required under (a) above,
      (i) when, and to the extent that, the International Tin Council makes refunds, and
      (ii) if the Sixth International Tin Agreement terminates without being replaced by a new International Tin Agreement providing for a buffer stock, when transfers in liquidation are made to the member. Any transfer of tin metal from the buffer stock to the member will be treated as a distribution in currency, valued at the average price for tin prevailing on the appropriate market (London or Penang) on the day of distribution.
4. If the Sixth International Tin Agreement is to be replaced by a new International Tin Agreement providing for a buffer stock,

(a) a transfer of all or part of a member's share under the existing Agreement to the buffer stock account of the new Agreement will not be treated as a distribution in currency for the purpose of repurchase, if within 180 days of the termination of the existing Agreement, the Fund finds the terms of the new Agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended.

(b) members that do not participate in the new Agreement will be expected to repurchase in accordance with paragraph 3(b)(ii) above.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the Sixth International Tin Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 7247-(82/147)
November 12, 1982

BUFFER STOCK FINANCING FACILITY: 1977 INTERNATIONAL SUGAR AGREEMENT

1. It is decided that, for the purposes of Decision No. 2772-(69/47) as amended, a sugar buffer stock consisting of buffer stocks nationally owned but internationally controlled pursuant to the 1977 International Sugar Agreement, as established by the 1977 United Nations Sugar Conference, shall be deemed to be an international buffer stock if it otherwise meets all the criteria referred to in Decision No. 2772-(69/47), as amended.
2. The Fund, having considered the text of the International Sugar Agreement, 1977, as adopted by the United Nations Sugar Conference on October 7, 1977, recognizing the economically sound attributes of the Agreement and the price stabilization objective, finds that the terms of this Agreement relating to the special stocks of sugar to be established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended, including the amendment in paragraph 1 above.

3. In view of paragraph 2 above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, and the limits specified in paragraphs 4 and 5 below, a member's requests for purchases in connection with the financing by the member of the special stocks established in accordance with Article 46 of the International Sugar Agreement, 1977. For the purposes of this decision, any special stock in sugar established in accordance with Article 46 of the International Sugar Agreement, 1977, shall cover an amount of sugar not exceeding the quantities for which certificates of existence issued by the Government of the member have been supplied to the International Sugar Organization and in respect of which agreement has been reached between the member and the International Sugar Organization regarding on-site verifications, as provided for in Article 47 of the 1977 International Sugar Agreement. A member may make a purchase under this decision if its request is received in the Fund not later than six months after (i) the end of the period in which the member has to fulfill its obligation to establish a special stock in accordance with Article 46.5 of the International Sugar Agreement or (ii) the date on which the export quotas are lifted, if this date is earlier.

4. A request for a purchase under this decision will be met if it will not cause the total of purchases outstanding under this decision to exceed the sum of the values of the quantities of sugar placed in the special stock, with each quantity valued on the basis...
of the lesser of (i) the floor price and (ii) the average market price during the month in which the quantity was acquired.

5. A request for a purchase under this decision by a member that has outstanding any loans in foreign exchange for which a special stock has been used as collateral will be met if, in addition to being consistent with the limit specified in paragraph 4 above, it does not cause the total of purchases outstanding under this decision to exceed the higher of (i) the sum referred to in paragraph 4 above minus the amount of any outstanding loans in foreign exchange for which the special stock has been used as collateral and (ii) the total value of the special stock on the basis of the average price during the latest calendar month before the request for a purchase under this decision minus the amount of any such loans. When requesting a purchase and while it has purchases outstanding under this decision, a member shall inform the Fund of any loans for which the special stock has been used as collateral.

6. A member that has outstanding purchases under this decision will be expected to repurchase in accordance with paragraph 1 of Decision No. 5703-(78/39) and shall complete repurchase in respect of these purchases in accordance with paragraph 1 of the same decision. The member will be expected to make a repurchase at an earlier date

(i) when, and to the extent that, stocks are released from the control of the International Sugar Organization, and

(ii) when the member obtains a loan in foreign exchange for which the special stock is used as collateral, to the extent that the amount of this loan, together with the amount of purchases outstanding exceeds the amount that the member may purchase in accordance with paragraphs 4 and 5 above.

7. The staff will keep the Executive Directors informed on the operation of the buffer stock and other developments in connection with the International Sugar Agreement, 1977, by
reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 5597-(77/171)
December 16, 1977

BUFFER STOCK FINANCING FACILITY: INTERNATIONAL NATURAL RUBBER AGREEMENT, 1979

1. The Fund, having considered the text of the International Natural Rubber Agreement as established by the United Nations Conference on Natural Rubber on October 6, 1979, finds that the terms of this Agreement relating to the international natural rubber buffer stock established under the Agreement are consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of paragraph 1 above, the Fund will meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's request for a purchase in connection with the financing by the member of its direct compulsory contribution to the acquisition costs of the buffer stock established under the International Natural Rubber Agreement, if its request is received in the Fund not later than six months after the date of the contribution or, in respect of contributions made before the date of this decision, not later than 90 days after the date of this decision.

3. A member that has outstanding purchases under this decision

(a) shall make repurchases in respect of these purchases in accordance with paragraph 1(a) of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and

(b) will be expected to repurchase at an earlier date than would be required under (a) above.
USE OF FUND'S RESOURCES: ART. V, SEC. 3(a), (b), AND (c)

(i) when, and to the extent that, the International Natural Rubber Council refunds net contributions in excess of those required to support buffer stock operations, and

(ii) if the current Agreement terminates without being replaced by a new Agreement providing for a buffer stock, when transfers in liquidation are made to the member. Any transfer of natural rubber from the buffer stock to the member will be treated as a distribution in currency, valued at the lowest current price for each type or grade so transferred during the 30 market days preceding the termination of the Agreement.

4. If the current Agreement is to be replaced by a new Agreement providing for a buffer stock,

(a) a transfer of all or part of a member's share under the existing Agreement to the buffer stock account of the new Agreement will not be treated as a distribution in currency for the purpose of repurchase, if within 180 days of the termination of the current Agreement the Fund finds the terms of the new Agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended;

(b) members that do not participate in the new Agreement will be expected to repurchase in accordance with paragraph 3(b)(ii) above.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the International Natural Rubber Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.

Decision No. 7246-(82/147)
November 12, 1982

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ARTICLE V, SECTION 3(d) AND (f)

Use of Fund’s Resources

USE OF CURRENCIES AND SDRs IN THE GENERAL RESOURCES ACCOUNT AND PRINCIPLES AND PROCEDURES FOR DESIGNATION

(a) Assessment of Strength of Member’s Balance of Payments and Gross Reserve Position for the Purposes of Designation Plans, Operational Budgets and Repurchases Under Article V, Section 7(b)

This decision sets forth guidelines for the assessment of the strength of the balance of payments and gross reserve position of a participant under Article XIX, Section 5(a)(i) (designation plans), and of the balance of payments and reserve position of a member under Article V, Section 3(d) (operational budgets) and, in accordance with Executive Board Decisions No. 5704-(78/39) and No. 6172-(79/101), under Article V, Section 7(b) (early repurchases).

1. Assessments of strength for the purposes of Article V, Sections 3(d) and 7(b) will be based on a member’s balance of payments and gross reserve position, and shall take into account developments in the exchange markets.

2. A member’s “balance of payments and gross reserve position” is a combined concept, under which strength in one element may compensate for moderate weakness in the other.

3. In the Fund’s assessment whether a member’s balance of payments and gross reserve position is sufficiently strong for the purposes of the designation plans, operational budgets, and early repurchases, all relevant factors and data on the member’s position shall be considered, including the following: recent and prospective movements in gross reserves, balance of payments developments, the relationship of gross reserves to a member’s imports and Fund quota, and developments in exchange markets.
To the extent that recent data on changes in a member's net reserves are available, these shall be taken into account as an indicator of the member's balance of payments position.

4. If a member has outstanding purchases in the General Resources Account, the assessment of its balance of payments and gross reserve position will include judgments on whether the member's position shows an improvement in comparison with the position at the time it made its last purchase from the Fund, on the extent of the improvement, and on whether it is likely to be sustained in the foreseeable future. Special attention will be given to the recent and prospective evolution in the various components of the member's balance of payments, including developments in the member's net reserves to the extent that data are available.

Decision No. 6273-(79/158) G/8

September 14, 1979

(b) Specification of Currencies by the Fund

This decision sets forth guidelines for the selection of currencies in purchases under Article V, Section 3(d), in repurchases under Article V, Section 7(i), and in transfers of SDRs by the Fund under Article V, Section 6(b) pursuant to decisions adopted prior to the date of this decision.

1. Normally, the Fund will select a member's currency for use in the operations and transactions of the General Resources Account in amounts that result in a net reduction of the Fund's holdings of the currency only if the member's balance of payments and gross reserve position is judged to be sufficiently strong. Accordingly this will not preclude the possibility that the Fund will make net reductions in its holdings of the currency of a member with a strong reserve position even though it has a moderate balance of payments deficit.

2. Under procedures to be adopted, the currency of a member with outstanding purchases subject to repurchase, whose balance
of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(d) only if the member and the Fund agree.

3. The desirability of promoting over time balanced positions in the Fund ("harmonization") will be taken into account in the following way:

   a. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or an institution of a member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

   b. Subject to (c) and (d) below, currencies shall be selected for use in purchases and repurchases, and in transfers of SDRs by the Fund under decisions adopted prior to the date of this decision, in such a way as to promote, over time, the equalization of the ratios of members' positions in the Fund, as defined under (a) above, to their gold and foreign exchange holdings.

   c. The application of the principle in (b) above will not be carried beyond the point where the Fund's holdings of a member's currency are substantially below the average level, expressed as a percentage of quota, at which the Fund holds the currencies of members that do not have purchases outstanding and whose balance of payments and gross reserve position is sufficiently strong in accordance with paragraph 1 above. In addition, the Fund will seek to maintain adequate working balances of a currency.

   d. If the currency of a member whose balance of payments and gross reserve position is not judged sufficiently strong in accordance with paragraph 1 above can be accepted in repurchase under Article V, Section 7(i), the Fund, at the request of the
member, will give special emphasis to the use of that currency for repurchases.

4. The guidelines in this decision will be applied in a manner that will allow the Fund to retain the flexibility necessary to ensure that (i) the use of currencies can be adapted to the needs and circumstances of members and of the Fund, and (ii) the transactions and operations of the Fund can be executed expeditiously and in a manner that pays due regard to the convenience of members. Considerations that are relevant under (i) may include the need for members to purchase certain currencies in order to stabilize exchange markets, the effects of the use or receipt of currencies on the Fund's financial position, the Fund's liquidity, and the fact that in respect of the issuer of a reserve currency the ratio of its Fund position to its gold and foreign exchange holdings may not provide an appropriate measure of the amounts of the currency that might be used by the Fund. Considerations under (ii) may include the need to avoid the use of an excessive number of currencies in single transactions and operations.

Decision No. 6274-(79/158)
September 14, 1979

(c) Transfers of SDRs Under Article V, Section 3(f)

Pursuant to Article V, Section 3(f), the Fund shall provide SDRs instead of the currencies of other members to a participant making a purchase in accordance with decisions on the operational budgets taken under Rule O-10. For this purpose, the Executive Board shall keep under review the amount of the Fund's holdings of SDRs in the General Resources Account in the light of all relevant considerations, including the relationship of SDR holdings to its other assets, and will determine from time to
time the approximate range within which the Fund will aim to maintain these holdings.

*Decision No. 6275-(79/158) G/S
September 14, 1979*

**PROCEDURES FOR THE SALE OF CURRENCIES AT THE REQUEST OF MEMBERS WITH OUTSTANDING PURCHASES**

Pursuant to paragraph 2 of the Executive Board Decision No. 6274-(79/158), the Executive Board approves the procedures set out [below].

*Decision No. 6352-(79/183)*
December 12, 1979

**Procedures**

1. Executive Board Decision No. 6274-(79/158) on the selection of currencies by the Fund contains the following paragraph:

2. Under procedures to be adopted, the currency of a member with outstanding purchases subject to repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3 (d) only if the member and the Fund agree.

3.* .........................................................

4.* .........................................................

5. ...the following procedural guidelines are suggested. They place stress on consultations between the Managing Director and the member concerned prior to the submission by the Managing Director to the Executive Board of a proposal agreed with the member on a maximum amount of sales of its...

*Not included in this volume.*
currency and on the way in which these sales would be integrated in the operational budget. The guidelines are intended to provide a reasonable degree of flexibility for the Managing Director to make proposals that would be acceptable both to the member that wished its currency to be sold and to the Executive Board.

a. As far as practicable, a member with outstanding purchases that wishes its currency to be sold by the Fund would be expected to consult with the Managing Director before the end of the second month of the quarterly period prior to the beginning of the period in which the currency would be sold. This will enable a proposal for the sale of the currency to be incorporated in the next operational budget. However, the Managing Director might also propose an amendment to an existing budget. The qualification "as far as practicable" is included in order to provide some flexibility; one reason for this is that a member may not know that its balance of payments and reserve position is judged "sufficiently strong" for the purposes of the next designation plan and operational budget until the relevant documents are circulated to the Executive Board.

b. Following the consultation, and with the agreement of the member concerned, the Managing Director will make a proposal to the Executive Board in accordance with paragraph (c) below that the currency be included in the operational budget. The Managing Director's proposal will cover the way in which the sales of the currency will be integrated with the sales of other currencies and SDRs in the execution of the operational budget. While in each case the decision on sales of a currency would rest with the Executive Board, there would be a reasonable presumption that a proposal made in accordance with these guidelines would be accepted.

c. Proposals by the Managing Director for sales of a currency of a member with purchases outstanding would be guided by the following considerations:
(i) Proposals would not normally be made for sales of currencies if such sales would give rise to repayments of borrowing by the Fund, or if they would be attributed by the member to repurchase obligations falling due within the quarterly period of the budget.

(ii) The amounts of currency involved should not be such as to detract significantly from the promotion of balanced positions in the Fund or the aim of maintaining the SDR holdings of the General Resources Account within a particular range.

SALES OF SDRS AND USE OF CURRENCIES THROUGH THE OPERATIONAL BUDGETS

1. Sales of SDRs

The Fund will sell the amount of SDRs expected to be received in each budget period; and the balance of purchases will be distributed between SDRs and currencies in such a manner as to aim at Fund holdings of special drawing rights of SDR 4.5 billion in early 1982, taking into account use and receipt of SDRs and currencies in transactions and operations outside the budgets. Modifications in this guideline will be proposed as necessary.

2. Use of Currencies

Currencies shall be selected for use on the transfer and receipt side of the operational budgets in amounts that will promote, over time, balanced "positions in the Fund" as follows:

a. For the quarterly period March–May 1981 the method currently in use will be continued;

b. For the subsequent quarterly periods the amounts on the transfer side of the budgets will be calculated on the basis of members' holdings of gold and foreign exchange and the amounts on the receipt side will be calculated in proportion to

Dec. 6772-(81/36) G/S 110

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their reserve tranche positions in the Fund. Modifications of this method will be proposed if circumstances so warrant. The Fund will seek to maintain adequate working balances of currencies.

c. The U.S. dollar will be included in the operational budgets on the basis of ad hoc proposals.

d. A member’s “position in the Fund” shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member, or an institution of a member, under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund’s use of its currency holdings for this purpose.

*Decision No. 6772-(81/35) G/S*

*March 5, 1981*

**SALES OF SDRs AND CURRENCIES IN THE GENERAL RESOURCES ACCOUNT: LEVEL OF FUND SDR HOLDINGS**

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund’s SDR holdings to a level of approximately SDR 4.0 billion by May 31, 1985. Prior to April 30, 1985, the Fund will review the level of its SDR holdings to determine whether and to what extent they should be further reduced.

*Decision No. 7626-(84/23) S*

*February 13, 1984*

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund’s SDR holdings to a level of approximately SDR 2.5 billion by May 31, 1986. Prior to...
April 30, 1986, the Fund will review the level of its SDR holdings to determine whether and to what extent they should be reduced further.

*Decision No. 7941-(85/50) S*
*March 29, 1985*

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of reducing the Fund’s SDR holdings to a level of approximately SDR 1 billion by May 31, 1987. Prior to April 30, 1987, the Fund will again review the level of its SDR holdings.

*Decision No. 8265-(86/70) S*
*April 25, 1986*

In determining the amounts of SDRs to be transferred in purchases under the operational budgets, the Fund will be guided by the aim of maintaining the Fund’s SDR holdings within the approximate range of SDR 0.75-1.25 billion. The Executive Board will be informed on the evolution of the Fund’s holdings of SDRs on a regular basis. Should circumstances warrant any change in this approximate range, proposals will be brought to the Executive Board.

*Decision No. 8574-(87/64) S*
*April 24, 1987*

**Selection of Currencies by the Fund**

This decision sets forth guidelines for the selection of currencies in purchases under Article V, Section 3(d), in repurchases under Article V, Section 7(i), and in transfers of SDRs by the Fund under Article V, Section 6(b) pursuant to decisions adopted prior to the date of this decision.
1. Normally, the Fund will select a member's currency for use in the operations and transactions of the General Resources Account in amounts that result in a net reduction of the Fund's holdings of the currency only if the member's balance of payments and gross reserve position is judged to be sufficiently strong. Accordingly this will not preclude the possibility that the Fund will make net reductions in its holdings of the currency of a member with a strong reserve position even though it has a moderate balance of payments deficit.

2. (a) Under procedures to be adopted, the currency of a member with outstanding purchases subject to the guidelines on early repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(d') only if the member and the Fund agree.

(b) If the outstanding purchases of a member judged sufficiently strong are not subject to the guidelines on early repurchase, and the member agrees with the Fund that its currency shall be sold, the amounts of its currency to be sold shall be calculated in accordance with the procedures set out in the Annex to this decision.

3. If the currency of a member whose balance of payments and gross reserve position is not judged sufficiently strong in accordance with paragraph 1 above can be accepted in repurchase under Article V, Section 7(i), the Fund, at the request of the member, will give special emphasis to the use of that currency for repurchases.

4. The guidelines in this decision will be applied in a manner that will allow the Fund to retain the flexibility necessary to ensure that (i) the use of currencies can be adapted to the needs and circumstances of members and of the Fund, and (ii) the transactions and operations of the Fund can be executed expeditiously and in a manner that pays due regard to the
convenience of members. Considerations that are relevant under (i) may include the need for members to purchase certain currencies in order to stabilize exchange markets, the effects of the use or receipt of currencies on the Fund's financial position, the Fund's liquidity, and the fact that in respect of the issuer of a reserve currency the ratio of its Fund position to its gold and foreign exchange holdings may not provide an appropriate measure of the amounts of the currency that might be used by the Fund. Considerations under (ii) may include the need to avoid the use of an excessive number of currencies in single transactions and operations.

Decision No. 6774-(81/35)
March 5, 1981

ANNEX

Sales of Currencies of Members Indebted to the Fund

a. There are some members indebted to the Fund that are judged sufficiently strong but to whose outstanding purchases the guidelines on early repurchase do not apply. It was agreed that the Fund would not insist on its right to sell the currency of such a member and such sales would take place only if there was agreement between the member and the Fund. In such cases the Managing Director is authorized, under procedures agreed by the Executive Board, to approach any of these members in a particularly strong position with a view to the member reducing its indebtedness to the Fund in amounts calculated in accordance with the guidelines. In order to facilitate sales of such members' currencies, the rule of attribution is changed to give a member with outstanding indebtedness under excluded facilities financed by borrowing (other than the GAB) the option to apply the consequent reduction in the Fund's holdings of its currency to an enlargement of its reserve tranche position rather than to the discharge of its outstanding obligations to the Fund.
b. The Fund will calculate the amounts of the currencies of the members referred to in (a) above, included for sales in an operational budget, in accordance with the guidelines on early repurchase. In addition, if any other debtor member whose outstanding purchases were neither under excluded facilities financed by borrowings nor subject to the guidelines on early repurchase agreed with the Fund on the sale of its currency, the Fund would calculate the amounts to be sold in the same manner. However, at the request of the member, the calculated amounts would be reduced for the first two successive budget periods. The calculation of the amount of sales of a debtor member's currency for any quarterly period would no longer be made in accordance with the guidelines on early repurchase, or would be reduced from the calculated amount, when sales of the currency equal the outstanding indebtedness of the member to the Fund.
ARTICLE V, SECTION 5

Ineligibility to Use the Fund’s General Resources

USE OF FUND’S RESOURCES: LIMITATION AND INELIGIBILITY UNDER ARTICLE V, SECTION 5

The Fund has, in the case of a member which has had a previous exchange transaction with the Fund, power to declare the member ineligible or limit its use of the resources of the Fund if the member is, in the opinion of the Fund, using the resources of the Fund in a manner contrary to the purposes of the Fund.

Decision No. 284-3
March 10, 1948

USE OF FUND’S RESOURCES: POSTPONEMENT AND LIMITATION UNDER ARTICLE V, SECTION 5

If the Fund receives a request from a member to purchase exchange and either, (1) the Fund is considering sending the member a report pursuant to Article V, Section 5 or (2) the Fund finds when the request is before it that action pursuant to that Section should be considered; then the Fund has the authority, pursuant to Article V, Section 5, of the Fund Agreement, to postpone the transfer as permitted under the provisions of Rules and Regulations G-3* for such time as may reasonably be necessary to decide the question of applying Article V, Section 5, and, if it decides to apply it, to prepare and send to the member a report and subject its use of the Fund’s resources to limitations. Under such circumstances the limitations imposed will apply to the pending request for the purchase of exchange as well as to future requests.

Decision No. 286-1
March 15, 1948

ARTICLE V, SECTION 6

Sales of SDRs by the Fund

1. Pursuant to Article V, Section 6(b) and (c), the Fund shall provide a member at its request with SDRs from the General Resources Account in exchange for an equivalent amount of the currencies of other members to enable the member to pay SDRs in order to increase its quota under Board of Governors Resolution No. 34-2 on the Seventh General Review of Quotas or in accordance with the provisions of that Resolution.

2. The amount of SDRs a member may receive under this decision shall not exceed the difference between the amount of the member's SDR holdings and the amount of its quota payment due in SDRs at the time of payment.

Decision No. 6663-(80/160)S
October 31, 1980
ARTICLE V, SECTION 7

Repurchases

EARLY REPURCHASES

1. In applying the first sentence of Article V, Section 7(b) of the Second Amendment the Fund will be guided by the Summary of Guidelines attached to this decision.

2. This decision will be reviewed after one year from the date of its adoption.

Summary of Guidelines

The following paragraphs are intended to provide members with the assurance that if they repurchase the amount indicated by the agreed guidelines they will be meeting the expectation of Article V, Section 7(b). These guidelines would need to be reviewed from time to time in the light of experience.

a. A member's balance of payments and reserve position would normally be deemed to have improved sufficiently for repurchases to be expected under Article V, Section 7(b), if the member's position is judged sufficiently strong in the context of a quarterly designation plan and currency budget. However, a member that makes a purchase in the credit tranches or under a special facility would not be expected to make repurchases under Article V, Section 7(b) until the quarter following the second full quarter after its purchase, provided that at that time its balance of payments and reserve position was judged sufficiently strong.

b. During the quarter following the decisions on the designation plan and currency budget, it would be expected that the member's outstanding purchases would be reduced by a specified amount, either by repurchases or by sales of the member's currency, or by some combination of the two. The method employed would be at the option of the member.
c. Subject to paragraphs (d) and (e) below, the specified amount for the expected quarterly repurchase would be 1.5 per cent of the member's latest gross reserves plus (minus) 5 per cent of the increase (decrease) in gross reserves over the latest six-month period for which data are available. The quarterly amount would be subject to a limit of 4 per cent of a member's latest gross reserves, and the amount of a quarterly repurchase would be limited to an amount that would not reduce the member's latest gross reserves below 250 per cent of the member's quota.

d. The specified amount would represent the minimum reduction in the Fund's holdings of the member's currency expected during the quarter. Repurchases under Article V, Section 7(e) and (d'), and Schedule B, and sales of the member's currency, would count toward meeting that minimum. If the minimum is exceeded in one quarter, the excess amount shall be deducted from expected repurchases in the subsequent quarter or quarters.

e. If, during the six months prior to the date when a member is added to the list of those members whose positions are considered sufficiently strong, a member makes repurchases in amounts in excess of amounts it was obliged or expected to make during those six months, these excess amounts shall be deducted from expected repurchases in the subsequent quarter or quarters.

f. If a member opted to have its currency sold, the specified amount (less any other expected reductions in the Fund's holdings) would also serve as the amount of the currency the Fund might sell in the quarter under Article V, Section 3(d). If the Fund did not sell the currency in the specified amount before the end of the second month of the quarter, the member would be expected to repurchase any balance remaining before the end of the quarter.

Decision No. 5704-(78/39)

March 22, 1978, effective April 1, 1978
SELECTED DECISIONS OF EXECUTIVE BOARD

GUIDELINES FOR EARLY REPURCHASE

Preamble

This decision sets forth guidelines for members regarding early repurchase under the first sentence of Article V, Section 7(b) when the balance of payments and reserve position of members improves. The guidelines apply to the Fund's holdings of currency that result from the purchases under Article V, Section 3 that are referred to in the following sentence and are subject to repurchase under the provisions of the Articles and policies of the Fund. This decision, and any future changes in it, shall apply in respect of holdings of currency resulting from purchases made either (i) under stand-by or extended arrangements approved by the Fund after October 1, 1977, or (ii) after the date of this decision, but not under stand-by or extended arrangements approved by the Fund before October 1, 1977. Decision No. 5704-(78/39) shall continue to apply in respect of holdings of currency resulting from purchases made after April 1, 1978 and before the date of this decision that were not made under a stand-by or extended arrangement.

The Fund's authority to select the currencies to be used in purchases in accordance with the Articles and its policies is not modified by these guidelines.

1. A member's balance of payments and reserve position will be deemed normally to have improved sufficiently for early repurchases to be expected in accordance with these guidelines if the member's position is judged sufficiently strong for the purposes of a quarterly designation plan and operational budget as determined by the Fund from time to time in the light of the relevant factors. A member that makes a purchase in the credit tranches or under a special policy of the Fund will not be expected, however, to make early repurchases until the quarter following the second full quarter after its purchase.

2. During the quarter following the decisions adopting the designation plan and operational budget, it will be expected that
the Fund's holdings of the member's currency will be reduced by a specified amount, either by repurchases or by sales of the member's currency, or by some combination of the two. The method employed will be at the option of the member.

3. Subject to paragraphs 4 and 5 below, the specified amount for the expected quarterly repurchase will be 1.5 per cent of the member's gross reserves plus (minus) 5 per cent of the increase (decrease) in gross reserves over the latest six-month period for which data are available ("latest gross reserves"). The quarterly amount will be subject to a limit of 4 per cent of the member's latest gross reserves. A quarterly repurchase will be limited to an amount that will not (i) reduce the member's latest gross reserves below 250 per cent of the member's quota, and (ii) exceed, together with the member's early repurchases and sales of its currency during the preceding three quarters, 10 per cent of these reserves.

4. The specified amount in accordance with paragraph 3 above will represent the minimum reduction in the Fund's holdings of the member's currency expected during the quarter. Repurchases by the member and sales of the member's currency during the quarter will be included in calculating the reductions for this purpose. If the member's repurchases made during a quarter in advance of repurchase maturities, or the sale of its currency during that quarter, exceed the minimum reduction expected during that quarter, the excess will give rise to a credit that will meet pro tanto the expectations of early repurchase for the next five quarters. At the end of a quarter the credit will be reduced by the larger of (i) the repurchase expectation for the quarter that is deemed to be satisfied by the credit, and (ii) the repurchase obligations that would have matured during the quarter but have been discharged by the advance repurchase or by the sale.

5. If, during the two quarters prior to the date when a member is added to the list of members whose positions are
considered sufficiently strong for the purposes of the quarterly designation plan and operational budget, the member's repurchases in advance of maturity, or the sale of its currency, exceed the minimum reduction expected during those two quarters, a credit will be given in accordance with paragraph 4 above. Any credit still available when a member's balance of payments and reserve position is no longer considered sufficiently strong for the purposes of a quarterly designation plan and operational budget will continue to apply in accordance with paragraph 4 above.

6. If a member has opted to have its currency sold, it will be included in the operational budget for the amount calculated in accordance with paragraphs 3, 4, and 5 above, less the amount of its repurchase obligations maturing during the quarter. If the Fund has not sold the currency in the specified amount before the end of the second month of the quarter, the member will be expected to repurchase any balance remaining before the end of the quarter.

7. In each operational budget the Managing Director will report on the observance by members of the guidelines for early repurchase.

8. This decision will be reviewed from time to time in the light of experience.

Decision No. 6172-(79/101)
June 28, 1979

REPURCHASE

1. (a) Repurchases of the outstanding amount of a member's currency that results from a purchase under the credit tranches and is subject to charges under Article V, Section 8(b), or under the decision on Compensatory Financing of Export Fluctuations (Decision No. 4912-(75/207), as amended) or the decision on The Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), as amended), or the decision on Compensatory Financing of Fluctuations in the Cost of Cereal...
Imports (Decision No. 6860-(81/81)), shall be completed, pursuant to Article V, Section 7(c), five years after the date of the purchase, provided that the repurchase shall be made in equal quarterly installments during the period beginning three years and ending five years after the date of the purchase unless the Fund approves a different schedule.

(b) A member that has outstanding purchases under the decision on The Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), as amended) will be expected to make a repurchase at an earlier date than would be required under (a) above when, and to the extent that, the international buffer stock for the financing of which the purchase was made makes distributions in currency to the member.

2. Decisions with respect to the timing of repurchases shall be understood to permit a member to combine all repurchases to be made within a calendar month and to complete them not later than the last business day of the month, provided however that the maximum period for use of the Fund's resources according to the policy under which a repurchase is to be made shall not be exceeded.

3. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with special drawing rights in discharge of a commitment the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2.

4. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with currencies of other members in discharge of a commitment, the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2, provided that if the currencies paid are not acceptable in repurchase as of the date of the Second Amendment, the member shall substitute an equivalent amount of the currencies of other members specified by the Fund in accordance with Article V, Section 7(c).
5. If a member that has an outstanding obligation to pay gold in repurchase has not made an equivalent repurchase with special drawing rights or with the currencies of other members in discharge of a commitment, within two months after the date of the Second Amendment of the Articles of Agreement the member shall make a repurchase equivalent to the outstanding obligation in gold with special drawing rights or, at its option, with the currencies of other members specified by the Fund in accordance with Article V, Section 7(d). The repurchase shall be regarded as a discharge of the member's obligation in accordance with Schedule B, paragraph 2.

6. The dates for the payment of special drawing rights or currencies of other members in discharge of any obligation to pay gold to the Fund in repurchase, and for any substitution under paragraph 5 above, after the date of the Second Amendment of the Articles of Agreement shall be determined in accordance with Schedule B, paragraph 1.

7. Repurchase under Schedule B, paragraph 4 shall be completed four years after the date of the Second Amendment of the Articles of Agreement. If the Fund's holdings of a member's currency that are subject to paragraph 4(ii) are in excess of 10 per cent of the member's quota on the date of the Second Amendment, the member shall be requested to agree to make the repurchase in four equal installments beginning not later than one year after that date.

Decision No. 5703-(78/39),
March 22, 1978, effective April 1, 1978,
as amended by
Decision No. 6862-(81/81),
May 13, 1981

A member shall discharge any repurchase obligation that accrued in gold before the date of the Second Amendment with spe-
cial drawing rights or, at its option, with the currencies of other members specified by the Fund in accordance with Article V, Section 7(i).

Decision No. 5809-(78/88)
June 12, 1978

ATRIBUTION OF REDUCTIONS IN FUND'S HOLDINGS OF CURRENCIES

1. (a) Subject to paragraphs (b) and (c) below a member shall be free to attribute a reduction in the Fund's holdings of its currency (i) to any of its obligations to repurchase, and (ii) to enlarge its reserve tranche.

(b) If the reduction results from the sale of a member's currency or from operational payments by the Fund, an attribution may not be made to an obligation to repurchase financed from borrowed resources unless the Fund is obligated or entitled immediately to repay the lender on the occasion of such attribution. A member would be able to combine an attribution under this decision to an obligation to repurchase financed with ordinary resources with a repurchase of an outstanding obligation financed with borrowed resources provided this repurchase and the attribution would result in a joint reduction of repurchase obligations as required under Decision No. 5508-(77/127) and Decision No. 6783-(81/40).

(c) An attribution to create a reserve tranche may only be made if the reduction results from the sale of the member's currency or from operational payments by the Fund in that currency and if the member's obligations to repurchase do not include an obligation relating to a purchase financed through borrowing under the GAB.

2. A reduction attributed to a reserve tranche position will not discharge an expectation of repurchase under the Guidelines for Early Repurchase.
3. If the member when asked does not make an attribution in accordance with 1 above, it will be deemed to be discharging the first maturing repurchase obligation.

4. The Fund will review this decision before April 30, 1984.

Decision No. 6831-(81/65)
April 22, 1981, effective May 1, 1981, as amended by
Decision No. 7059-(82/23), February 22, 1982

The Executive Board has reviewed Decisions Nos. 6830-(81/65), adopted April 22, 1981, effective from May 1, 1981 and 6831-(81/65), adopted April 22, 1981, effective from May 1, 1981, as ammended by Decision No. 7059-(82/23), adopted February 22, 1982. It has concluded that the decisions shall remain in effect without any change.

Decision No. 7704-(84/78),
May 14, 1984
ARTICLE V, SECTIONS 8 AND 9

Charges and Remuneration

Charges: Future Changes in Charges on Fund's Holdings of Members' Currencies in Excess of Quota

Changes in any schedule of charges levied under Article V, Section 8(c), (d), and (e)* shall apply to all holdings subject to the schedule that are obtained by the Fund after the date of this decision.

Decision No. 4239-(74/67)
June 13, 1974

Charges: Media of Payment in General Resources Account

1. A member whose holdings of SDRs are insufficient for the payment of the total of estimated charges due and payable by it within the next thirty days may:

   (a) obtain SDRs from the General Resources Account up to a reasonable estimate of the balance of SDRs needed for the payment; or

   (b) pay the balance of the charges in the currencies of other members.

2. A member that is unable to pay charges in SDRs because it is not a participant in the Special Drawing Rights Department and has not been prescribed as an other holder may pay all charges payable under Article V, Section 8 in the currencies of other members.

3. The currencies for which the SDRs would be sold under Paragraph 1(a) or that would be paid under Paragraph 1(b) and Paragraph 2 shall be selected by the Fund from those currencies

*Corresponds to Article V, Section 8(a), (c), and (d) of the Articles of Agreement after the Second Amendment.

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Dec. 5702-(78/39) G/S

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that the Fund would receive in accordance with the operational budget in effect at the time.

Decision No. 5702-(78/39) GIS, March 22, 1978, effective April 1, 1978, as amended by Decision No. 7096-(82/57) GIS, April 23, 1982

CHARGES: RATE OF CHARGE AS OF MAY 1, 1986

Effective May 1, 1986, the rate of charge referred to in Rule I-6(4), determined in accordance with the provisions of Section III.1(a) of Decision No. 8348-(86/122), adopted July 25, 1986, shall be 6.0 percent.

Decision No. 8349-(86/122) July 25, 1986

CHARGES: ACCOUNTING FOR CHARGES FROM MEMBERS WITH OVERDUE OBLIGATIONS

The Executive Board decides that, effective November 1, 1986, accrued charges on the use of the Fund’s general resources from a member that is overdue in meeting any financial obligation to the Fund for six months or more will not be included in accrued income unless the member is current in the payment of charges. Charges that are not included in accrued income will instead be reported as deferred income, and will be recorded as income only when paid. Once charges from a member have been reported as deferred income, charges subsequently accrued will not be included in accrued income until the member becomes current in the payment of charges.

Decision No. 8433-(86/175)* October 31, 1986

CHARGES AND REMUNERATION

CHARGES: SPECIAL CHARGES ON OVERDUE FINANCIAL OBLIGATIONS TO THE FUND

I. Overdue Repurchases

1. Pursuant to Rule I-6(8) the Fund has reviewed the rates of charge to be levied under Article V, Section 8(c) on its holdings of a member's currency that have not been repurchased in accordance with the requirements of the Articles or decisions of the Fund.

2. Within three business days after (i) the due date for the repurchase by a member of the Fund's holdings of its currency resulting from purchases of the Fund's ordinary resources or (ii) the effective date of this decision, whichever is the later, the Fund shall consult with the member on the reduction of the Fund's holdings of the member's currency that should have been repurchased. The consultation shall take place by rapid means of communication.

3. Unless the Fund's holdings of the member's currency are reduced within the period referred to in Section IV below by the amount that should have been repurchased, the rate of charge on the holdings that should have been repurchased shall be increased by a percentage equal to the excess, if any, of the rate of interest on the SDR over the rate of charge levied on the holdings under Rule I-6(4) or (11). For the purposes of this calculation, any adjustment in the rate of charge referred to in Rule I-6(4) that may be made under Section V, paragraph 2(b) of Decision No. 8348-(86/122), adopted July 25, 1986, shall not be taken into consideration.

II. Overdue Charges in the General Resources Account

A special charge equal to the rate of interest on the SDR shall be paid by a member on the unpaid amount of charges owed by it under Article V, Section 8(a) and (b).
III. Overdue Interest and Repayments on Trust Fund Loans

IV. Waiver of Special Charges

Special charges under Sections I, II, and III above shall be levied in respect of an overdue financial obligation as of the due date or the effective date of this decision, whichever is the later, unless the obligation is discharged within ten business days after the applicable date.

V. Notification and Payment of Special Charges

1. Special charges levied under this Decision shall be payable following the end of each of the Fund’s financial quarters and the member shall be notified promptly of any special charges due. The charges shall be payable on the third business day following the dispatch of the notification.

2. Special charges in respect of overdue repurchases and charges in the General Resources Account shall be paid in SDRs to that Account. Special charges in respect of overdue repayments and interests on Trust Fund loans shall be paid in U.S. dollars to the Special Disbursement Account.

VI. Entry into Effect and Review

This Decision will enter into effect on February 1, 1986. It will be reviewed shortly after October 31, 1986 at the time of the mid-year review of the Fund’s income position for the financial year ending April 30, 1987, and thereafter annually in connection with the annual reviews of the Fund’s income position.

Decision No. 8165-(85/189) G/TR
December 30, 1985, effective
February 1, 1986, as amended by
Decision No. 8496-(87/3) G/TR, January 7, 1987

1See page 376.
CHARGES AND REMUNERATION

CHARGES: SETOFF IN CONNECTION WITH A RETROACTIVE REDUCTION OF CHARGES DUE BY MEMBERS IN ARREARS

1. When the Fund decides upon a retroactive reduction in the rate of charge specified in Rule 1-6(4), the amount to be paid to a member that has charges or repurchases overdue, in the General Resources Account, on the effective date of the payment by the Fund, shall be set off pro tanto, as of that date, against such overdue obligations in the following manner: the member shall be requested to specify which overdue obligations, among the categories listed in paragraph 2, it wishes to discharge by the setoff; in the absence of a response by the member within seven business days after the request, the setoff shall apply to the member's overdue obligations, within the categories listed in paragraph 2, in the descending order of maturities.

2. The setoff under paragraph 1 shall apply to:

(a) special charges due on the amount of overdue charges under Executive Board Decision No. 8165-(85/189)G/TR, December 30, 1985;

(b) special charges due on the amount of overdue repurchases under Article V, Section 8(c);

(c) charges due under Article V, Section 8(a) or (b);

(d) overdue repurchase obligations.

Decision No. 8271-(86/74)
April 30, 1986

CHARGES: SPECIAL CHARGES ON OVERDUE REPURCHASES—SETOFF

The amount to be repaid by the Fund to a member with respect to special charges on overdue obligations in the General Resources Account under Decision No. 8165-(85/189) G/TR paid by the member for the first quarter of financial year 1987 shall be set off pro tanto against charges due for the second quarter of financial year 1987.

Decision No. 8442-(86/178)
November 6, 1986

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INCOME POSITION—PRINCIPLES OF "BURDEN SHARING," INCOME TARGET FOR FY 1987 AND FY 1988, RATE OF CHARGE, AND RATE OF REMUNERATION

Section I. Principles of "Burden Sharing"

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. This sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. Income Target for FY 1987 and FY 1988

1. During financial year 1987 and financial year 1988, the Fund's net income target shall be raised from 5 percent to 7.5 percent of the Fund's reserves at the beginning of each year. The additional net income shall be generated in accordance with the provisions of Section V. It shall be recorded separately in the financial statements of the Fund.

2. For financial year 1988, the Fund may decide to add supplemental income to be generated in accordance with the provisions of Section V. It shall be recorded separately in the financial statements of the Fund.

Section III. Rate of Charge

1. (a) The rate of charge referred to in Rule 1-6(4) shall be determined at the beginning of financial year 1987 and financial year 1988. This determination shall be made on the basis of the estimated income and expense of the Fund during the year and the target amount of net and supplemental income for the year, and shall include the adjustment necessary to generate one half of the additional net income and of the supplemental income for the year.

   (b) During financial year 1987 and financial year 1988, when estimating income, no deduction shall be made for projected deferred income.
2. During financial year 1987 and financial year 1988, the rate of charge shall be further adjusted in accordance with the provisions of Section V.

3. The rate of charge in force as of the end of a financial year, as adjusted under Section V, shall continue to apply subsequently unless it is otherwise decided.

Section IV. Rate of Remuneration

1. Effective August 1, 1986, Rule I-10(d) shall cease to apply.

2. Effective February 1, 1987, Rule I-10 shall read as follows:

   I-10. (a) The rate of remuneration shall be equal to 100 percent of the rate of interest on holdings of SDRs under Rule T-1 (hereafter referred to as "SDR interest rate").

   (b) The relationship of the rate of remuneration to the SDR interest rate will be referred to as the "remuneration coefficient."

3. During financial year 1987 and financial year 1988, the rate of remuneration shall be adjusted in accordance with the provisions of Section V.

Section V. "Burden Sharing" in FY 1987 and FY 1988

1. In financial year 1987 and financial year 1988, and notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4), and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the additional net income referred to in Section II.1, and the supplemental income referred to in Section II.2, the rate of charge shall be adjusted in accordance with the provisions of Section III.1(a), and the rate of remuneration shall be adjusted, subject to the limitation in (c), in
accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and the rate of remuneration shall be further adjusted, subject to the limitation in (c), in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, shall not be taken into account.

(c) No reduction in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) Subject to the provisions of Section III.1(a), the adjustments under this paragraph shall be made as of May 1, as of August 1, as of November 1, and as of February 1 of each year:

- shortly after July 31 for the period from May 1 to July 31;
- shortly after October 31 for the period from August 1 to October 31;
- shortly after January 31 for the period from November 1 to January 31;
- shortly after April 30 for the period from February 1 to April 30.

(e) Notwithstanding the provisions of (d), any adjustment made in respect of the first half of financial year 1987 shall affect the rate of remuneration only as of August 1, 1986.

(f) The operation of this decision shall be reviewed when the remuneration coefficient is reduced to 85 percent under (c).

3. A midyear review of the Fund's income position shall be held shortly after October 31 of each year. If, after any adjustment under paragraph 2, the actual net income for the first
six months of the financial year, on an annual basis, is below the target amount for the year by an amount equal to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If on December 15 no agreement has been reached as a result of this consideration, the rate of charge shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) An amount equal to the proceeds of any adjustment made under paragraph 2(a) in order to generate supplemental income in financial year 1988 shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment made under paragraph 2(b) in financial year 1987 or financial year 1988 shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in
accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

Decision No. 8348-(86/122),
July 25, 1986, as amended by
Decisions Nos. 8481-(86/202), December 17, 1986, and
8482-(86/202), December 17, 1986

Managing Director's Concluding Remarks at Informal Meeting
on Principles of Burden Sharing and the Fund's Income Position
July 17, 1986

Although we need to look at the language, the principles I outlined at the outset of this afternoon's meeting are accepted, but the mechanism for FY 1987 and FY 1988 is different.

The agreed principles are:

First, the consequences for the Fund which stem from the problem of overdue financial obligations should be shared between debtor and creditor member countries. Second, the burden sharing in principle should be applied in a simultaneous and symmetrical fashion inasmuch as the Articles of Agreement make possible the full application of this principle. Third, the remuneration coefficient would be raised to 100 percent of the interest rate on the SDR.

The principles governing burden sharing shall remain in effect as a temporary understanding, as long as the problem of overdue financial obligations which gave rise to the need for burden sharing at present continues.

The compromise on the financing mechanism for FY 1987 and FY 1988 is as follows:

(1) The remuneration coefficient will be increased to 100 percent, effective February 1, 1987; until that time the coefficient will move according to the existing formula.

(2) The income for FY 1986 in excess of target—SDR 26 million—remains part of reserves; it will not be deemed as income for FY 1987.

(3) As a reserve effort in FY 1987 and FY 1988 the target will be increased from 5 percent to 7.5 percent; there will be burden sharing, without refunding.

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(4) The FY 1988 reserve target of 7.5 percent may be raised beyond that figure if needed; burden sharing will apply above 5 percent and amounts in excess of 7.5 percent will be refundable.

(5) Net income above 5 percent will be placed in a special line of "reserves."

The mechanism will be in place for two years; afterwards, the Board will take a new decision.

As for the 85 percent floor to the rate of remuneration, if the remuneration coefficient is moving toward that limit the situation will be reviewed in advance to determine what action the Fund should take; the Board will reach a decision in light of the circumstances at that time. The existing safeguard clause continues, to avoid a vacuum.

Techniques will be studied, and implemented as practical, of adjusting, in the context of the operational budget, the share of the United States in total remunerated positions with a view to mitigating the share of the United States in the amount of burden sharing to be assumed by the creditor countries.

Managing Director’s Concluding Remarks at
Executive Board Meeting 86/124 on July 30, 1986 on
Principles of Burden Sharing and the Fund’s Income Position

With reference to the texts of Decision No. 8348-(86/122) and Decision No. 8349-(86/122) taken at EBM/86/122 on July 25, 1986, and noting today’s revision (7/30/86) of the concluding remarks on July 17, it was understood that:

The Executive Board will come back at an early date to the issue of provisioning.

For any financial year after 1988, in which the problem of overdue obligations to the Fund remains serious, the reserve target will remain at 7.5 percent unless a decision by the Executive Board on provisioning will have altered the treatment of the problem in the meantime.

The increase in the reserve target above 5 percent will remain subject to burden sharing as during FY 1987 and FY 1988 as long as the increase is required by the problem of overdue obligations.
INCOME POSITION—BURDEN SHARING—RATE OF CHARGE AND RATE OF REMUNERATION—ADJUSTMENT FOR QUARTER ENDED JANUARY 31, 1987

1. The Executive Board has reviewed the operation of Decision No. 8348-(86/122), adopted July 25, 1986 (as amended), in accordance with Section V, paragraph 2(f) of that decision.

2. The adjustment in the rate of charge for the quarter ended January 31, 1987 will be limited so as to generate an amount equal to the amount generated through the reduction in remuneration for that quarter to cover deferred charges. The resulting shortfall will be deemed deferred income in the quarter ending April 30, 1987; the rate of charge and the rate of remuneration will be adjusted with respect to this amount, for the period from February 7, 1987 to the end of the quarter.

3. Whenever charges that became deferred are settled, distributions under Section V, paragraphs 4(b) and (c) of Decision No. 8348-(86/122) (as amended) shall be made in the proportion that the adjustment payments with respect to deferred income for that period had to the amount of deferred charges for the same period.

Decision No. 8515-(87/23)
February 6, 1987
ARTICLE V, SECTIONS 10 AND 11

Rates for Computations and Maintenance of Value

1. The exchange rate for computations by the Fund relating to the currency of a member in the General Resources Account

(a) on the occasion of the use of that currency in an operation or transaction between the Fund and another member shall be the rate as of three business days before the value date of the operation or transaction, and, if this rate cannot be used, the rate of the preceding day closest thereto that is practicable;

(b) on all other occasions shall be the rate at which the currency is held by the Fund.

2. The Fund shall adjust its holdings of the currency of a member in the General Resources Account

(a) whenever a computation relating to the currency is made in accordance with paragraph 1(a) above,

(b) at the end of the Fund's financial year,

(c) when the member requests the Fund to adjust the Fund's holdings of its currency,

(d) with respect to the U.S. dollar, on the last business day of each month, and

(e) on such other occasions as the Fund may decide.

3. Adjustments under paragraph 2 shall be made on the basis of the exchange rate of the currency under Rule O-2 for the day of the adjustment and shall take effect on that day, provided that if an exchange rate under Rule O-2 is not communicated for the currency with respect to paragraph 2(b) above, the rate of the preceding day closest thereto for which a rate is communicated shall be used.

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4. Whenever the Fund adjusts its holdings of a member's currency in accordance with paragraph 3 above, the Fund shall establish an account receivable or an account payable, as the case may be, in respect of the amount of the currency payable by or to the member under Article V, Section 11.

5. For the purpose of adjustments, the Fund's holdings of a member's currency in the General Resources Account shall consist of the total of the balances of the member's currency in the General Resources Account, plus the balance in any account receivable, or minus the balance in any account payable, in the currency, as of the date of the adjustment. The total of the balances of the member's currency in the General Resources Account shall be as recorded on the Fund's books if the member agrees with this procedure.

6. For the purpose of applying the provisions of the Articles as of any date, the Fund's holdings of a currency shall consist of its actual holdings plus the balance in any account receivable or minus the balance in any account payable on that date.

7. Settlements of accounts receivable or payable by or to a member shall be made promptly after the end of a financial year of the Fund and at other times when requested by the Fund or the member.

Decision No. 5590-(77/163)
December 5, 1977, effective April 1, 1978
ARTICLE V, SECTION 12(f)

Special Disbursement Account

SPECIAL DISBURSEMENT ACCOUNT: INVESTMENT

Pending their use, the Managing Director shall place in investments, denominated in SDRs, with the Bank for International Settlements, the currencies received by the Special Disbursement Account as a result of the termination of the Trust Fund, unless the Managing Director considers that the terms offered by the BIS on an intended deposit denominated in SDRs are not sufficiently attractive. In that event the Managing Director shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations in accordance with Article V, Section 12(h).

Decision No. 7990-(85/81)
May 28, 1985

SPECIAL DISBURSEMENT ACCOUNT: TRANSITIONAL INVESTMENT OF BALANCES WITH THE FEDERAL RESERVE BANK OF NEW YORK

Pending placement in SDR-denominated investments with the Bank for International Settlements in accordance with Executive Board Decision No. 7990-(85/81), adopted May 28, 1985, the Managing Director is hereby authorized to invest with the Federal Reserve Bank of New York the U.S. dollars held by the Special Disbursement Account.

Decision No. 8029-(85/105)
July 11, 1985

1See also Decisions Nos. 6704-(80/185) TR, December 17, 1980, and 7989-(85/81) SBS, May 28, 1985, on pages 377–79, 387.
SPECIAL DISBURSEMENT ACCOUNT: STRUCTURAL ADJUSTMENT FACILITY

I. Income from Investment and Loans—Availability for Use

Pursuant to Article V, Section 12(f), the income from investment of resources available for the Structural Adjustment Facility within the Special Disbursement Account, and the interest on loans disbursed under the Facility, accruing to the Special Disbursement Account for the period December 17, 1980 to June 30, 1991, shall be available, as they accrue, for use under the Facility.

Decision No. 8237-(86/56) SAF
March 26, 1986

II. Regulations for Administration

Pursuant to Article V, Section 12(j), the Fund adopts the Regulations set forth in the Annex to this decision for the administration of the Structural Adjustment Facility within the Special Disbursement Account.

Decision No. 8238-(86/56) SAF
March 26, 1986, as amended by
Decision No. 8497-(87/3) SAF
January 7, 1987

ANNEX TO DECISION II

Structural Adjustment Facility Within Special Disbursement Account

Paragraph 1. Purposes

The Structural Adjustment Facility within the Special Disbursement Account shall provide balance of payments assistance on concessional terms, on a uniform basis, to low-income...
developing members of the Fund in need of such assistance, in accordance with these Regulations.

Paragraph 2. Resources

The resources of the Special Disbursement Account available for the Structural Adjustment Facility ("the Facility") shall consist of the assets that have been made, or will be, available for the Facility pursuant to Executive Board Decision No. 6704-(80/185) TR and Decision No. 8237-(86/56) SAF.

Paragraph 3. Conditions for Assistance

Balance of payments assistance shall be provided in the form of loans on the terms specified in paragraph 7 to eligible members that qualify for assistance under paragraph 5.

Paragraph 4. Amount of Assistance

(1) The potential access of all eligible members to the resources of the Facility shall be expressed as a uniform proportion of their quotas in the Fund. It shall be determined from time to time, at least annually, by the Fund.

(2) Whenever a member has notified the Fund that it does not intend to make use of the resources available under the Facility, the member shall not be included in the calculations under subparagraph (1) above.

(3) If, after resources have been committed to a member under paragraph 5(2), the member's potential access is increased or decreased pursuant to subparagraph (1) or (2) above, the total amount available to the member under the three-year commitment will be proportionately modified and subsequent disbursements will be modified accordingly.

(4) Access to the Fund's resources under other policies of the Fund will remain available in accordance with the terms of those policies.
Paragraph 5. Qualification for Assistance

(1) An eligible member shall consult the Managing Director before making an initial request for a commitment of resources for a three-year period.

(2) Resources shall be committed to a qualifying member, subject to these Regulations, for a three-year period upon approval by the Fund of an arrangement in support of a three-year macroeconomic and structural adjustment program presented by the member. The arrangement will prescribe the total amount, and the annual amounts within the total, available in accordance with the original or any modified terms of the arrangement, subject to these Regulations.

(3) Before approving a three-year arrangement, the Fund shall be satisfied that the member has a protracted balance of payments problem and is making a reasonable effort to strengthen its balance of payments position.

(4) A member shall be deemed to be making a reasonable effort within the meaning of subparagraph (3) of this paragraph if the member has presented to the Fund (i) a three-year adjustment program which seeks to correct macroeconomic and structural problems that have impeded balance of payments adjustment and economic growth, and (ii) the first of three annual programs setting forth the objectives for the year and the policies to be followed during the year to meet those objectives.

(5) Resources under three-year commitments shall be made available annually in the form of loans under three successive, but not necessarily contiguous, annual arrangements approved by the Fund. The approval of an annual arrangement under a three-year commitment must precede the expiration of the commitment period.

(6) An annual arrangement shall be approved only for a member that has submitted a satisfactory program for the
corresponding year and has a need for balance of payments assistance.

(7) If, during a three-year commitment period, a member ceases to be eligible for assistance under the Facility, a commitment of resources under the Facility, made to the member for that period, shall remain in effect, subject to these Regulations.

Paragraph 6. Disbursements

(1) One disbursement shall be made for each annual arrangement upon approval of the arrangement.

(2) Disbursements to a member under the Facility shall be suspended while the member has an overdue financial obligation to the Fund in the General Resources Account, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee under the Trust Instrument. The disbursements shall be made when the overdue financial obligation has been discharged.

(3) No disbursement under a three-year commitment shall be made after the expiration of the commitment period.

Paragraph 7. Terms of Loans

(1) Interest shall be charged at the rate of one-half of one percent per annum on the outstanding balance of a loan and shall be paid on June 30 and December 31 of each year, or the next day if the day when payment is due is not a business day. Additional interest shall be charged on (i) the amount of overdue interest on structural adjustment facility loans, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of loans under the Structural Adjustment Facility, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, less one
half percent, and subject to the rules on waiver, notification, and payment of special charges under Executive Board Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, or any subsequent decision of the Fund thereon.

(2) A member shall repay each loan in ten equal semiannual installments, which shall begin not later than the end of the first six months of the sixth year, and be completed at the end of the tenth year, after the date of the disbursement.

(3) On the request of a member when repayment of an installment is due under a loan, the Fund may reschedule the repayment to a date not later than two years after the due date if the Fund finds that repayment on the due date would result in serious hardship for the member and that such rescheduling would not impair the ability of the Special Disbursement Account to meet the liabilities of the Facility.

Paragraph 8. Unit of Account

The SDR shall be the unit of account for commitments, loans, and all other operations under the Facility.

Paragraph 9. Media of Payment

Loans shall be disbursed and repaid, and interest paid, in U.S. dollars. The Managing Director is authorized to make arrangements under which, at the request of a member, SDRs may be used for disbursements to the member or payment of interest or repayments of loans by it to the Fund.

Paragraph 10. Reimbursement of Expenses

The General Resources Account of the Fund shall be reimbursed annually by the Special Disbursement Account in respect of the expenses of administration of the Facility that are paid from the General Resources Account. Reimbursement shall be made on the basis of a reasonable estimate of these expenses by the Fund.
Paragraph 11. Reserves

The Fund may establish, in the Special Disbursement Account, such reserves for the purposes of the Facility as it deems appropriate.

Paragraph 12. Modifications

Any modification of these Regulations will affect only loans made after the effective date of the modification, provided that a modification of the interest rate shall apply to interest accruing after the effective date of the modification.

Paragraph 13. Identification of Decisions

Decisions and other actions taken by the Fund in the administration of the Facility shall be identified as such.

III. Use of SDRs in Operations*

IV. List of Eligible Members and Amounts of Assistance

1. The members on the list annexed to this decision are eligible to receive balance of payments assistance under the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. The potential access of each eligible member to the resources of the Facility as of March 26, 1986 shall be 47 percent of quota; no more than 20 percent of quota shall be disbursed under the first annual arrangement.

Decision No. 8240-(86/56) SAF
March 26, 1986, as amended by
Decision No. 8542-(87/36) SAF, March 2, 1987

*See Decision No. 8239-(86/56) SAF, March 26, 1986, page 345.
### ANNEX TO DECISION IV

Low-Income Developing Members Eligible for Assistance Under Structural Adjustment Facility Within Special Disbursement Account

<table>
<thead>
<tr>
<th>Member</th>
<th>Quota (In SDR millions)</th>
<th>Member</th>
<th>Quota (In SDR millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China, People's Republic of</td>
<td>2,390.9</td>
<td>Kiribati</td>
<td>2.5</td>
</tr>
<tr>
<td>India</td>
<td>2,207.7</td>
<td>Lao People's Democratic Republic</td>
<td>29.3</td>
</tr>
<tr>
<td>Subtotal</td>
<td>4,598.6</td>
<td>Lesotho</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liberia</td>
<td>71.3</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>86.7</td>
<td>Madagascar</td>
<td>66.4</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>287.5</td>
<td>Malawi</td>
<td>37.2</td>
</tr>
<tr>
<td>Benin</td>
<td>31.3</td>
<td>Maldives</td>
<td>2.0</td>
</tr>
<tr>
<td>Bhutan</td>
<td>2.5</td>
<td>Mali</td>
<td>50.8</td>
</tr>
<tr>
<td>Bolivia</td>
<td>90.7</td>
<td>Mauritania</td>
<td>33.9</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>31.6</td>
<td>Mozambique</td>
<td>61.0</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>31.6</td>
<td>Mozambique</td>
<td>61.0</td>
</tr>
<tr>
<td>Burundi</td>
<td>42.7</td>
<td>Niger</td>
<td>33.7</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>4.5</td>
<td>Pakistan</td>
<td>546.3</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>30.4</td>
<td>Rwanda</td>
<td>43.8</td>
</tr>
<tr>
<td>Chad</td>
<td>30.6</td>
<td>St. Christopher and Nevis</td>
<td>4.5</td>
</tr>
<tr>
<td>Comoros</td>
<td>4.5</td>
<td>St. Lucia</td>
<td>7.5</td>
</tr>
<tr>
<td>Djibouti</td>
<td>8.0</td>
<td>St. Vincent</td>
<td>4.0</td>
</tr>
<tr>
<td>Dominica</td>
<td>4.0</td>
<td>Sao Tome and Principe</td>
<td>4.0</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>18.4</td>
<td>Senegal</td>
<td>85.1</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>70.6</td>
<td>Sierra Leone</td>
<td>57.9</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>17.1</td>
<td>Solomon Islands</td>
<td>5.0</td>
</tr>
<tr>
<td>Ghana</td>
<td>204.5</td>
<td>Somalia</td>
<td>44.2</td>
</tr>
<tr>
<td>Grenada</td>
<td>6.0</td>
<td>Sri Lanka</td>
<td>223.1</td>
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<tr>
<td>Guinea</td>
<td>57.9</td>
<td>Sudan</td>
<td>169.7</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>7.5</td>
<td>Tanzania</td>
<td>107.0</td>
</tr>
<tr>
<td>Guyana</td>
<td>49.2</td>
<td>Togo</td>
<td>38.4</td>
</tr>
<tr>
<td>Haiti</td>
<td>44.1</td>
<td>Tonga</td>
<td>3.25</td>
</tr>
<tr>
<td>Kampuchea, Democratic</td>
<td>25.0</td>
<td>Uganda</td>
<td>99.6</td>
</tr>
<tr>
<td>Kenya</td>
<td>142.0</td>
<td>Vanuatu</td>
<td>9.0</td>
</tr>
</tbody>
</table>

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V. Review of Operation of Facility

The Fund shall review the operation of the Structural Adjustment Facility within the Special Disbursement Account not later than May 31, 1988.

Decision No. 8241-(86/56) SAF  
March 26, 1986

The Chairman's Summing Up at the Conclusion of the Discussion on Special Disbursement Account  
Executive Board Meeting 86/56—March 26, 1986

Most Directors wished the new facility to be called the Structural Adjustment Facility and found the general thrust of the staff paper to be acceptable, the staff having on the whole fairly reflected in its paper the spirit of the Board's February discussion.

1. Eligibility

Members eligible to use the facility will be the low-income countries that are currently eligible to receive IDA loans. Later changes in the list of IDA countries will not have an automatic effect on their eligibility, but will be a matter for decision by the Board. Commitments made will be honored, even if a particular member were to cease to be eligible in the course of a three-year arrangement.
2. Qualification

The resources shall be made available to eligible countries that are facing protracted balance of payments problems and that enter into annual arrangements with the Fund in support of a medium-term program of structural adjustment. In the assessment of a protracted balance of payments problem, the member's situation will be reviewed against a wide range of indicators, including, as a number of Directors suggested, the recent and the prospective behavior of the current account, reserves, indebtedness, arrears, and growth performance. The assessment should be made on a case-by-case basis, and avoid the mechanical application of statistical indicators. In addition, there will be the assessment of balance of payments need at the time of approval of annual arrangements.

3. Policy framework paper and collaboration with the World Bank

It was agreed, although with a certain reluctance by some Directors, that it would be useful to prepare a policy framework paper which will describe the major economic problems and challenges facing a country; the objectives of a three-year medium-term program; the priorities and the broad thrust of macroeconomic and structural adjustment policies; and references to the likely external financing requirements and, as far as possible, the available sources of such financing.

The framework paper is to be developed in close collaboration with the authorities—who are after all responsible for policy formulation—and the staffs of the Fund and the World Bank, who will work closely on these matters, including through joint missions. It is the expectation of the Fund that these framework papers will be reviewed by the Boards of the two institutions at an early stage before commitments are made on use of the resources of the structural adjustment facility by eligible countries.
The policy framework paper will have to be updated as the program is implemented and normally reviewed by the two Boards, at the time of presentation of the second and the third annual programs, as far as the Fund is concerned.

The suggestions by . . . [an Executive Director] would go a long way toward making the procedures as practical and as flexible as possible. I will take two illustrative cases. When discussions on the formulation of medium-term structural policies with a member country are well advanced, as they are in a number of cases, it may well be possible to present a medium-term framework paper and the program for the first year of an arrangement to the Board at the same time. In such cases the Board of the Bank would be expected to take up the policy framework paper first which would be followed by appropriate agreements on structural adjustment or sectoral loans. Quite often, when the two institutions are already collaborating deeply on medium-term structural policies in some countries, the joint mission could be extremely short; the essence of the work could even perhaps be conducted at headquarters. The modalities must be kept flexible, not with the intention of bringing the jointness of the operation into question, but to avoid unnecessary delays and to reduce costs and travel.

In the second case . . ., of a country that was less advanced in the formulation of medium-term structural policies, a separate set of talks would probably have to be conducted with the country by the two staffs in order to arrive at a common understanding that would lead to a framework paper for review by the two Boards. Later on, the Fund would take up the specific program according to its own schedule and procedures, as hopefully would the World Bank.

These procedures will have to be introduced at the outset . . . in an experimental fashion with considerable pragmatism and with a view to avoiding rigidities, complications, and undue delays. Of course, each institution will have to be very vigilant to help the other. For instance, to take again the case of a country
that has had a series of Fund-supported programs, so that the Fund is well acquainted with its medium-term structural programs and is ready to move quickly forward with a framework paper and a first program. The jointness of the operation . . . would necessitate prior review by the World Bank of the framework paper; the Board of the Bank must be able to have an input based on its review of the country's framework paper. In such a case, the Fund would hope that the World Bank Board would act in a way that would not delay action by the Fund. The deeper and closer the collaboration, the more each institution will have to be receptive to the schedule, procedures, and constraints of the other, and in particular of the one that happens to be the most advanced in its work.

While closer Fund/Bank collaboration is of the essence, it is fair to say that Directors have stressed that the competence, mandate, and expertise of each of the two institutions must be respected. The Fund would pay particular attention to what it was most well equipped to look at: macroeconomic developments and policies, fiscal policies, monetary policies, exchange rates, exchange systems, tax reforms, and price realignments, but in conjunction with the World Bank, which has particular expertise and competence in development and sectoral policies, investment priorities, microeconomic reforms, and the like.

Cooperation is of the essence, but it will be conducted in a manner that will not give rise to cross conditionality. I also want to stress that these framework paper procedures will apply only in the case of the structural adjustment facility. There is no intention to set a precedent and extend them to other facilities and arrangements or to countries not using the structural adjustment facility . . . .

4. Conditionality

The first annual program will have to be described in a written document from the authorities to the management, which will
contain a request for a commitment of resources from the structural adjustment facility for a three-year period.

The document will describe in general terms the policies to be followed over the medium term, making reference to the policy framework paper, and will delineate more precisely the objectives of the authorities and the policies they will implement during the first year. Subsequent documents will review and update the medium-term policy plans and describe, also in specific terms, the policies to be implemented during the subsequent one-year periods.

We have no intention of overloading this conditionality with prior measures, but it needs to be understood that, especially in some cases where there is much to be done and where performance has been somewhat unsatisfactory, an annual program can be credible and can work only if the country is ready to take some measures that will be consistent with the unfolding of the program.

The question takes on added importance beyond the first year. As there will be no performance criteria governing disbursements and no phasing within a year, it will be necessary to make sure, after the first year, to capture correctly the progress that has been made under the structural program. The whole exercise is designed precisely to help a country to move toward that progress.

If after the first year, the Fund believes that the program has not worked and that corrective policies are necessary to make the second year consistent, at least with the general architecture of the medium-term framework, stock will have to be taken of those observations in the negotiation with the member country of the second program year.

Benchmarks or indicators will have to be constructed in a flexible way; they will not necessarily all be quantified and will essentially be devised to help monitor progress in policy implementation and in reaching the objectives of the program.
that have been described in the authorities' document. I want to make it very clear that these benchmarks or indicators will not be associated with disbursements.

Deviations from benchmarks will of course be noted, and an effort will be made to understand why they have happened. If the reasons are such that they could derail the direction of a program, policy adjustments may well be necessary, and they will be taken up in discussions leading to the arrangement in support of the next annual program.

5. Disbursements

Upon endorsement of the overall policy framework and approval of the program for the first year, the Fund will disburse to the member an amount of resources equivalent to 20 percent of the member's quota in the Fund and will make a commitment to the member to disburse additional resources in two additional tranches on approval of subsequent programs. Given the flexibility inherent in the procedure, an initial calculation has been made of each of the two additional tranches, at the equivalent of 13½ percent of the member's quota. These amounts will be recalculated as the program unfolds; in light of the resources available to the facility, the amounts may be enlarged under the procedures described in EBS/86/53. Because of the uncertainties associated with Trust Fund reflows, commitments will have to be made contingent on the availability of resources....
ARTICLE VI, SECTION 1

Use of Fund's Resources for Capital Transfers

[See Interpretation Pursuant to Decision No. 71-2, adopted September 26, 1946 and Decision No. 1238-(61/43), adopted July 28, 1961.]
ARTICLE VI, SECTION 3

Controls on Capital Transfers

The report of the Committee on Interpretation on controls on capital transfers (EBD/56/71, 7/11/56) is approved and the following conclusions are adopted:

Subject to the provisions of Article VI, Section 3 concerning payments for current transactions and undue delay in transfers of funds in settlement of commitments:

(a) Members are free to adopt a policy of regulating capital movements for any reason, due regard being paid to the general purposes of the Fund and without prejudice to the provisions of Article VI, Section 1.

(b) They may, for that purpose, exercise such controls as are necessary, including making such arrangements as may be reasonably needed with other countries, without approval of the Fund.

Decision No. 541-(56/39)

July 25, 1956
ARTICLE VII

Borrowing

GENERAL ARRANGEMENTS TO BORROW

Preamble

In order to enable the International Monetary Fund to fulfill more effectively its role in the international monetary system, the main industrial countries have agreed that they will, in a spirit of broad and willing cooperation, strengthen the Fund by general arrangements under which they will stand ready to make loans to the Fund up to specified amounts under Article VII, Section 1 of the Articles of Agreement when supplementary resources are needed to forestall or cope with an impairment of the international monetary system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1 of the Articles of Agreement.

Paragraph 1. Definitions

As used in this Decision the term:

(i) "Articles" means the Articles of Agreement of the International Monetary Fund;

(ii) "credit arrangement" means an undertaking to lend to the Fund on the terms and conditions of this Decision;

(iii) "participant" means a participating member or a participating institution;

(iv) "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member;

(v) "participating member" means a member of the Fund that has entered into a credit arrangement with the Fund;

(vi) "amount of a credit arrangement" means the maximum amount expressed in special drawing rights that a participant undertakes to lend to the Fund under a credit arrangement;
(vii) "call" means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund's account;

(viii) "borrowed currency" means currency transferred to the Fund's account under a credit arrangement;

(ix) "drawer" means a member that purchases borrowed currency from the Fund in an exchange transaction or in an exchange transaction under a stand-by or extended arrangement;

(x) "indebtedness" of the Fund means the amount it is committed to repay under a credit arrangement.

Paragraph 2. Credit Arrangements

A member or institution that adheres to this Decision undertakes to lend its currency to the Fund on the terms and conditions of this Decision up to the amount in special drawing rights set forth in the Annex to this Decision or established in accordance with Paragraph 3(b).

Paragraph 3. Adherence

(a) Any member or institution specified in the Annex may adhere to this Decision in accordance with Paragraph 3(c).

(b) Any member or institution not specified in the Annex that wishes to become a participant may at any time, after consultation with the Fund, give notice of its willingness to adhere to this Decision, and, if the Fund shall so agree and no participant object, the member or institution may adhere in accordance with Paragraph 3(c). When giving notice of its willingness to adhere under this Paragraph 3(b) a member or institution shall specify the amount, expressed in terms of the special drawing right, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement.

(c) A member or institution shall adhere to this Decision by depositing with the Fund an instrument setting forth that it has
adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this Decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of this Decision, whichever shall be later.

Paragraph 4. Entry into Force

This Decision shall become effective when it has been adhered to by at least seven of the members or institutions included in the Annex with credit arrangements amounting in all to not less than the equivalent of five and one-half billion United States dollars of the weight and fineness in effect on July 1, 1944.

Paragraph 5. Changes in Amounts of Credit Arrangements

The amounts of participants' credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and all participants.

Paragraph 6. Initial Procedure

When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary in order to forestall or cope with an impairment of the international monetary system, and that the Fund's resources need to be supplemented for this purpose, he shall initiate the procedure for making calls under Paragraph 7.

Paragraph 7. Calls

(a) The Managing Director shall make a proposal for calls for an exchange transaction or for future calls for exchange transactions under a stand-by or extended arrangement only after consultation with Executive Directors and participants. A
proposal shall become effective only if it is accepted by participants and the proposal is then approved by the Executive Board. Each participant shall notify the Fund of the acceptance of a proposal involving a call under its credit arrangement.

(b) The currencies and amounts to be called under one or more of the credit arrangements shall be based on the present and prospective balance of payments and reserve position of participating members or members whose institutions are participants and on the Fund's holdings of currencies.

(c) Unless otherwise provided in a proposal for future calls approved under Paragraph 7(a), purchases of borrowed currency under a stand-by or extended arrangement shall be made in the currencies of participants in proportion to the amounts in the proposal.

(d) If a participant on which calls may be made pursuant to Paragraph 7(a) for a drawer's purchases under a stand-by or extended arrangement gives notice to the Fund that in the participant's opinion, based on the present and prospective balance of payments and reserve position, calls should no longer be made on the participant or that calls should be for a smaller amount, the Managing Director may propose to other participants that substitute amounts be made available under their credit arrangements, and this proposal shall be subject to the procedure of Paragraph 7(a). The proposal as originally approved under Paragraph 7(a) shall remain effective unless and until a proposal for substitute amounts is approved in accordance with Paragraph 7(a).

(e) When the Fund makes a call pursuant to this Paragraph 7, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. Evidence of Indebtedness

(a) The Fund shall issue to a participant, on its request, non-negotiable instruments evidencing the Fund's indebtedness to
BORROWING

the participant. The form of the instruments shall be agreed between the Fund and the participant.

(b) Upon repayment of the amount of any instrument issued under Paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

Paragraph 9. Interest

(a) The Fund shall pay interest on its indebtedness at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights. A change in the method of calculating the combined market interest rate shall apply only if the Fund and at least two thirds of the participants having three fifths of the total amount of the credit arrangements so agree; provided that if a participant so requests at the time this agreement is reached, the change shall not apply to the Fund’s indebtedness to that participant outstanding at the date the change becomes effective.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a participant shall be paid, as determined by the Fund, in special drawing rights, or in the participant’s currency, or in other currencies that are actually convertible.

Paragraph 10. Use of Borrowed Currency

The Fund’s policies and practices under Article V, Sections 3 and 7 on the use of its general resources and stand-by and extended arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this Decision shall affect the authority of the Fund
with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund’s policies and practices, and shall not depend on whether the Fund can borrow under this Decision.

Paragraph 11. Repayment by the Fund

(a) Subject to the other provisions of this Paragraph 11, the Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer calculated in accordance with Paragraph 12. If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed date earlier than five years after its purchase, the Fund shall repay the participants at that date. Repayment under this Paragraph 11(a) or under Paragraph 11(c) shall be, as determined by the Fund, in the participant’s currency whenever feasible, or in special drawing rights, or, after consultation with the participant, in other currencies that are actually convertible. Repayments to a participant under Paragraph 11(b) and (e) shall be credited against transfers by the participant for a drawer’s purchases in the order in which repayment must be made under this Paragraph 11(a).

(b) Before the date prescribed in Paragraph 11(a), the Fund, after consultation with a participant, may make repayment to the participant in part or in full. The Fund shall have the option to make repayment under this Paragraph 11(b) in the participant’s currency, or in special drawing rights in an amount that does not increase the participant’s holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund’s holdings of a drawer’s currency is attributed to a purchase of borrowed currency, the Fund shall promptly repay an equivalent amount. If the Fund is
indebted to a participant as a result of transfers to finance a
reserve tranche purchase by a drawer and the Fund's holdings of
the drawer's currency that are not subject to repurchase are
reduced as a result of net sales of that currency during a quarterly
period covered by an operational budget, the Fund shall repay at
the beginning of the next quarterly period an amount equivalent
to that reduction, up to the amount of the indebtedness to the
participant.

(d) Repayment under Paragraph 11(c) shall be made in
proportion to the Fund's indebtedness to the participants that
made transfers in respect of which repayment is being made.

(e) Before the date prescribed in Paragraph 11(a) a participant
may give notice representing that there is a balance of payments
need for repayment of part or all of the Fund's indebtedness and
requesting such repayment. The Fund shall give the overwhelm-
ing benefit of any doubt to the participant's representation. Re-
payment shall be made after consultation with the participant in
the currencies of other members that are actually convertible, or
made in special drawing rights, as determined by the Fund. If
the Fund's holdings of currencies in which repayment should be
made are not wholly adequate, individual participants shall be re-
quested, and will be expected, to provide the necessary balance
under their credit arrangements. If, notwithstanding the expec-
tation that the participants will provide the necessary balance,
they fail to do so, repayment shall be made to the extent neces-
sary in the currency of the drawer for whose purchases the partici-

(f) All repayments to a participant in a currency other than its
own shall be guided, to the maximum extent practicable, by the
present and prospective balance of payments and reserve position
of the members whose currencies are to be used in repayment.

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(g) The Fund shall at no time reduce its holdings of a drawer's currency below an amount equal to the Fund's indebtedness to the participants resulting from transfers for the drawer's purchases.

(h) When any repayment is made to a participant, the amount that can be called for under its credit arrangement in accordance with this Decision shall be restored pro tanto.

(i) The Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this Paragraph or to pay interest in accordance with the provisions of Paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the institution is established.

Paragraph 12. Rates of Exchange

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(a) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this Decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. Transferability

A participant may not transfer all or part of its claim to repayment under a credit arrangement except with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 14. Notices

Notice to or by a participating member under this Decision shall be in writing or by rapid means of communication and shall
be given to or by the fiscal agency of the participating member
designated in accordance with Article V, Section 1 of the Articles
and Rule G-1 of the Rules and Regulations of the Fund. Notice
to or by a participating institution shall be in writing or by rapid
means of communication and shall be given to or by the
participating institution.

Paragraph 15. Amendment

This Decision may be amended during the period prescribed in
Paragraph 19(a) only by a decision of the Fund and with the
concurrence of all participants. Such concurrence shall not be
necessary for the modification of the Decision on its renewal
pursuant to Paragraph 19(b).

Paragraph 16. Withdrawal of Adherence

A participant may withdraw its adherence to this Decision in
accordance with Paragraph 19(b) but may not withdraw within
the period prescribed in Paragraph 19(a) except with the
agreement of the Fund and all participants.

Paragraph 17. Withdrawal from Membership

If a participating member or a member whose institution is a
participant withdraws from membership in the Fund, the
participant's credit arrangement shall cease at the same time as
the withdrawal takes effect. The Fund's indebtedness under the
credit arrangement shall be treated as an amount due from the
Fund for the purpose of Article XXVI, Section 3, and Schedule J
of the Articles.

Paragraph 18. Suspension of Exchange Transactions and Liquidation

(a) The right of the Fund to make calls under Paragraph 7 and
the obligation to make repayments under Paragraph 11 shall be
suspended during any suspension of exchange transactions under
Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrange-
ments shall cease and the Fund's indebtedness shall constitute
liabilities under Schedule K of the Articles. For the purpose of Paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the participant's currency and then the currency of the drawer for whose purchases transfers were made by the participants.

Paragraph 19. Period and Renewal

(a) This Decision shall continue in existence for four years from its effective date. A new period of five years shall begin on the effective date of Decision No. 7337-(83/37), adopted February 24, 1983. References in Paragraph 19(b) to the period prescribed in Paragraph 19(a) shall refer to this new period and to any subsequent renewal periods that may be decided pursuant to Paragraph 19(b). When considering a renewal of this Decision for the period following the five-year period referred to in this Paragraph 19(a), the Fund and the participants shall review the functioning of this Decision, including the provisions of Paragraph 21.

(b) This Decision may be renewed for such period or periods and with such modifications, subject to Paragraph 5, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in Paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in Paragraph 19(a) that it will withdraw its adherence to the Decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the Decision as renewed. Withdrawal of adherence in accordance with this Paragraph 19(b) by a participant, whether or not included in the Annex, shall not preclude its subsequent adherence in accordance with Paragraph 3(b).

(c) If this Decision is terminated or not renewed, Paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in
connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the Decision until repayment is completed. If a participant withdraws its adherence to this Decision in accordance with Paragraph 16 or Paragraph 19(b), it shall cease to be a participant under the Decision, but Paragraphs 8 through 14, 17 and 18(b) of the Decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under the former credit arrangement until repayment has been completed.

Paragraph 20. Interpretation

Any question of interpretation raised in connection with this Decision which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant raising the question, and all other participants. For the purpose of this Paragraph 20 participants shall be deemed to include those former participants to which Paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to Paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. Use of Credit Arrangements for Nonparticipants

(a) The Fund may make calls in accordance with Paragraphs 6 and 7 for exchange transactions requested by members that are not participants if the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under stand-by arrangements extending beyond the first credit tranche, (iii) transactions under extended arrangements, or (iv) transactions in the
first credit tranche in conjunction with a stand-by or an extended arrangement. All the provisions of this Decision relating to calls shall apply, except as otherwise provided in Paragraph 21(b).

(b) The Managing Director may initiate the procedure for making calls under Paragraph 7 in connection with requests referred to in Paragraph 21(a) if, after consultation, he considers that the Fund faces an inadequacy of resources to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to Paragraph 21(a) and (b), the Managing Director shall pay due regard to potential calls pursuant to other provisions of this Decision.

Paragraph 22. Participation of the Swiss National Bank

(a) Notwithstanding any other provision of this Decision, the Swiss National Bank (hereinafter called the Bank) may become a participant by adhering to this Decision in accordance with Paragraph 3(c) and accepting, by its adherence, a credit arrangement in an amount equivalent to one thousand and twenty million special drawing rights.* Upon adherence, the Bank shall be deemed to be a participating institution, and all the provisions of this Decision relating to participating institutions shall apply in respect of the Bank, subject to, and as supplemented by, Paragraph 22(b), (c), (d), (e), and (f).

(b) Under its credit arrangement, the Bank undertakes to lend any currency, specified by the Managing Director after consultation with the Bank at the time of a call, that the Fund has deter-

*The Swiss National Bank became a participant in the GAB with effect from April 10, 1984.
mined to be a freely usable currency pursuant to Article XXX(f) of the Articles.

(c) In relation to the Bank, the references to the balance of payments and reserve position in Paragraph 7(b) and (d), and Paragraph 11(e), shall be understood to refer to the position of the Swiss Confederation.

(d) In relation to the Bank, the references to a participant's currency in Paragraph 9(c), Paragraph 11(a) and (b), and Paragraph 18(b) shall be understood to refer to any currency, specified by the Managing Director after consultation with the Bank at the time of payment by the Fund, that the Fund has determined to be a freely usable currency pursuant to Article XXX(f) of the Articles.

(e) Payment of special drawing rights to the Bank pursuant to Paragraph 9(c) and Paragraph 11 shall be made only while the Bank is a prescribed holder pursuant to Article XVII of the Articles.

(f) The Bank shall accept as binding a decision of the Fund on any question of interpretation raised in connection with this Decision which falls within the purview of Article XXIX of the Articles, to the same extent as that decision is binding on other participants.

Paragraph 23. Associated Borrowing Arrangements

(a) A borrowing arrangement between the Fund and a member that is not a participant, or an official institution of such a member, under which the member or the official institution undertakes to make loans to the Fund for the same purposes as, and on terms comparable to, those made by participants under
this Decision, may, with the concurrence of all participants, authorize the Fund to make calls on participants in accordance with Paragraphs 6 and 7 for exchange transactions with that member, or to make requests under Paragraph 11(e) in connection with an early repayment of a claim under the borrowing arrangement, or both. For the purposes of this Decision such calls or requests shall be treated as if they were calls or requests in respect of a participant.

(b) Nothing in this Decision shall preclude the Fund from entering into any other types of borrowing arrangements, including an arrangement between the Fund and a lender, involving an association with participants, that does not contain the authorizations referred to in Paragraph 23(a).

ANNEX

Participants and Amounts of Credit Arrangements

I. Prior to the Effective Date of Decision No. 7337-(83/37)

<table>
<thead>
<tr>
<th>Participant</th>
<th>Amount in Units of Participant's Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>US$ 2,000,000,000</td>
</tr>
<tr>
<td>Deutsche Bundesbank</td>
<td>DM 4,000,000,000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>£ 357,142,857</td>
</tr>
<tr>
<td>France</td>
<td>F 2,715,381,428</td>
</tr>
<tr>
<td>Italy</td>
<td>Lit 343,750,000,000</td>
</tr>
<tr>
<td>Japan</td>
<td>Yen 340,000,000,000</td>
</tr>
<tr>
<td>Canada</td>
<td>Can$ 216,216,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>f. 724,000,000</td>
</tr>
<tr>
<td>Belgium</td>
<td>BE 7,500,000,000</td>
</tr>
<tr>
<td>Sveriges Riksbank</td>
<td>SKr 517,320,000</td>
</tr>
</tbody>
</table>
II. From the Effective Date of Decision No. 7337-(83/37)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount in Special Drawing Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>4,250,000,000</td>
</tr>
<tr>
<td>Deutsche Bundesbank</td>
<td>2,380,000,000</td>
</tr>
<tr>
<td>Japan</td>
<td>2,125,000,000</td>
</tr>
<tr>
<td>France</td>
<td>1,700,000,000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,700,000,000</td>
</tr>
<tr>
<td>Italy</td>
<td>1,105,000,000</td>
</tr>
<tr>
<td>Canada</td>
<td>892,500,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>850,000,000</td>
</tr>
<tr>
<td>Belgium</td>
<td>595,000,000</td>
</tr>
<tr>
<td>Sveriges Riksbank</td>
<td>382,500,000</td>
</tr>
<tr>
<td>Swiss National Bank*</td>
<td>1,020,000,000</td>
</tr>
<tr>
<td></td>
<td>17,000,000,000</td>
</tr>
</tbody>
</table>

*The Swiss National Bank became a participant in the GAB with effect from April 10, 1984.


The revised text of the GAB Decision, which incorporates amendments in a number of provisions and provides for the increases in participants' credit arrangements, was approved by the Executive Board on February 24, 1983 (Decision No. 7337-(83/37)). It became effective on December 26, 1983 when all ten participants notified the Fund that they concurred in these amendments and increases.
Letter from Mr. Baumgartner, Minister of Finance, France, to Mr. Dillon, Secretary of the Treasury, United States

December 15, 1961

Dear Mr. Secretary:

The purpose of this letter is to set forth the understandings reached during the recent discussions in Paris with respect to the procedure to be followed by the Participating Countries and Institutions (hereinafter referred to as "the participants") in connection with borrowings by the International Monetary Fund of Supplementary Resources under credit arrangements which we expect will be established pursuant to a decision of the Executive Directors of the Fund.

This procedure, which would apply after the entry into force of that decision with respect to the participants which adhere to it in accordance with their laws, and which would remain in effect during the period of the decision, is as follows:

A. A participating country which has need to draw currencies from the International Monetary Fund or to seek a stand-by agreement with the Fund in circumstances indicating that the Supplementary Resources might be used, shall consult with the Managing Director of the Fund first and then with the other participants.

B. If the Managing Director makes a proposal for Supplementary Resources to be lent to the Fund, the participants shall consult on this proposal and inform the Managing Director of the amounts of their currencies which they consider appropriate to lend to the Fund, taking into account the recommendations of the Managing Director and their present and prospective balance of payments and reserve positions. The participants shall aim at reaching unanimous agreement.

C. If it is not possible to reach unanimous agreement, the question whether the participants are prepared to facilitate, by lending their currencies, an exchange transaction or stand-by arrangement of the kind covered by the special borrowing arrangements and requiring the Fund's resources to be supplemented in the general order of magnitude proposed by the Managing Director, will be decided by a poll of the participants. The prospective drawer will not be entitled to vote. A favorable decision shall require the following majorities of the participants which take part in the vote, it being understood that abstentions may be justified only for balance of payments reasons as stated in paragraph D:

Dec. 1289-(62/1)
(1) a two-thirds majority of the number of participants voting; and

(2) a three-fifths majority of the weighted votes of the participants voting, weighted on the basis of the commitments to the Supplementary Resources.

D. If the decision in paragraph C is favorable, there shall be further consultations among the participants, and with the Managing Director, concerning the amounts of the currencies of the respective participants which will be loaned to the Fund in order to attain a total in the general order of magnitude agreed under paragraph C. If during the consultations a participant gives notice that in its opinion, based on its present and prospective balance of payments and reserve position, calls should not be made on it, or that calls should be for a smaller amount than that proposed, the participants shall consult among themselves and with the Managing Director as to the additional amounts of their currencies which they could provide so as to reach the general order of magnitude agreed under paragraph C.

E. When agreement is reached under paragraph D, each participant shall inform the Managing Director of the calls which it is prepared to meet under its credit arrangement with the Fund.

F. If a participant which has loaned its currency to the Fund under its credit arrangement with the Fund subsequently requests a reversal of its loan which leads to further loans to the Fund by other participants, the participant seeking such reversal shall consult with the Managing Director and with the other participants.

For the purpose of the consultative procedures described above, participants will designate representatives who shall be empowered to act with respect to proposals for use of the Supplementary Resources.

It is understood that in the event of any proposals for calls under the credit arrangements or if other matters should arise under the Fund decision requiring consultations among the participants, a consultative meeting will be held among all the participants. The representative of France shall be responsible for calling the first meeting, and at that time the participants will determine who shall be the Chairman. The Managing Director of the Fund or his representative shall be invited to participate in these consultative meetings.

It is understood that in order to further the consultations envisaged, participants should, to the fullest extent practicable, use the facilities of the international organizations to which they belong in keeping each other informed of the developments in their balances of payments that could give rise to the use of the Supplementary Resources.
These consultative arrangements, undertaken in a spirit of international cooperation, are designed to insure the stability of the international payments system.

I shall appreciate a reply confirming that the aforegoing represents the understandings which have been reached with respect to the procedure to be followed in connection with borrowings by the International Monetary Fund under the credit arrangements to which I have referred.

I am sending identical letters to the other participants—that is, Belgium, Canada, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom. Attached is a verbatim text of this letter in English. The French and English texts and the replies of the participants in both languages shall be equally authentic. I shall notify all of the participants of the confirmations received in response to this letter.

GENERAL ARRANGEMENTS TO BORROW: TRANSFERABILITY OF CLAIMS

Pursuant to Paragraph 13 of the revised General Arrangements to Borrow (GAB) which became effective on December 26, 1983, the Fund consents in advance to the transfer of outstanding claims to repayment under the GAB on the terms and conditions set out below:

1. All or part of any claim under the GAB may be transferred at any time to a participant in the GAB.

2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to Paragraph 11(e) of the GAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund’s operational budget; or (ii) the transferee is the Swiss National Bank,* and the balance of payments and reserve

* Became a participant in the GAB with effect from April 10, 1984.
Position of the Swiss Confederation is, in the opinion of the Fund, sufficiently strong to justify such acquisition.

3. The price for the claim transferred shall be as agreed between the transferee and the transferor.

4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.

6. If all or part of a claim is transferred during a quarterly period as described in Paragraph 9(b) of the GAB, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested, the Fund shall assist in seeking to arrange transfers.

Decision No. 7628-(84/25)
February 15, 1984, effective April 10, 1984

General Arrangements to Borrow: Transferability of Claims Under Saudi Arabia’s Borrowing Agreement

Pursuant to Paragraph 9 of the Borrowing Agreement with Saudi Arabia under which Saudi Arabia has agreed to provide supplementary resources in association with the GAB, and which became effective on December 26, 1983 (the Agreement), the Fund consents in advance to the transfer of outstanding claims to
repayment under the Agreement on the terms and conditions set out below:

1. All or part of any claim may be transferred at any time to any member of the Fund, the central bank or other agency of any member, or any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Articles of Agreement.

2. On the value date of the transfer, all the rights and obligations of Saudi Arabia provided in the Agreement with respect to the claim that is the subject of the transfer shall vest in the transferee, except that

(a) the transferee shall acquire the right to request early repayment on balance of payments grounds provided in Paragraph 6(d) of the Agreement only if, at the time of the transfer, (i) the transferee is a member, or the agency of a member, whose balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund's operational budget, or (ii) the transferee is the Swiss National Bank,* and the balance of payments and reserve position of the Swiss Confederation is, in the opinion of the Fund, sufficiently strong to justify such acquisition;

(b) if the transferee is a member or the agency of a member, references in the Agreement to payment in Saudi riyals shall be deemed to be references to payment in the member's currency, and if the transferee is not a member or the agency of a member such references shall not apply; and

(c) the right to repayment on withdrawal provided in Paragraph 10 of the Agreement shall apply only if the transferee is a member or the agency of a member, and that member withdraws from the Fund.

*Became a participant in the GAB with effect from April 10, 1984.
BORROWING

3. The price for the claim transferred shall be as agreed between the transferor and the transferee.

4. The transferor shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for the transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferor and the transferee.

6. If all or part of a claim is transferred during the quarterly period ending on a date specified in Paragraph 5(b) of the Agreement, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested by the holder of a claim under the Agreement, the Fund shall assist in seeking to arrange a transfer pursuant to this Decision.

Decision No. 7629-(84/25)
February 15, 1984, effective April 10, 1984

GENERAL ARRANGEMENTS TO BORROW: ASSOCIATION OF SWITZERLAND*

The understandings set forth in the letter which the Swiss Ambassador to the United States proposes to send to the Managing Director (EBD/64/73, Attachment I) are acceptable to the Fund and the Managing Director is authorized to send the letter [below].

Decision No. 1712-(64/29)
June 8, 1964

*The association of Switzerland has been extended until July 15, 1985 (Decision No. 6524-(80/88), June 9, 1980).
The Managing Director
International Monetary Fund
19th and H Streets, N.W.
Washington, D.C. 20431

Sir:

I have the honor to refer to Mr. Jacobsson’s letter of December 14, 1961 to the President of the Swiss Confederation and to conversations between representatives of the Swiss Confederation and the International Monetary Fund (hereinafter referred to as “the Fund”) concerning the way in which the Swiss Confederation could be associated with the Fund’s General Arrangements to Borrow, and thus contribute to the objectives of those Arrangements. The General Arrangements to Borrow (hereinafter referred to as “the General Arrangements”) are those set forth in Decision No. 1289-(62/1) of January 5, 1962, of the Fund’s Executive Directors, as amended by Decision No. 1362-(62/32) of July 9, 1962 and Decision No. 1415-(62/47) adopted on September 19, 1962.

In the light of the views that have been exchanged, the Swiss Federal Council, on behalf of the Swiss Confederation, is prepared to be associated with the General Arrangements as follows:

(1) The Swiss Confederation is prepared to make resources available to participants in the General Arrangements in accordance with this letter and in amounts not exceeding an outstanding total equivalent to 865,000,000 Swiss francs.

(2) The Swiss Confederation will be prepared to consider the conclusion of agreements (hereinafter referred to as “implementing agreements”) with any of the participants in the General Arrangements if requested by such participants. The implementing agreements will prescribe the terms and conditions in accordance with which the Swiss Confederation will make resources available to the participant or the Swiss Confederation and the participant will make resources available to each other, which shall be on the basis of reciprocal terms if required. Immediately on the conclusion of an implementing agreement, or of any amendment of an implementing agreement, the Swiss Confederation will provide the Managing Director with a copy thereof.

June 11, 1964

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(3) Whenever the Managing Director of the Fund initiates the procedure and makes a proposal for calls pursuant to Paragraphs 6 and 7 of the General Arrangements for the benefit of a participant that has entered into or enters into an implementing agreement, he may propose to the Swiss Confederation, after consultation with the Swiss Confederation, that it shall make a specified amount of resources available to the participant, which amount shall be in accordance with the implementing agreement with that participant. If the proposal for calls becomes effective under Paragraph 7 of the General Arrangements, the Swiss Confederation will make the specified amount of resources available to the said participant in accordance with this letter and with the terms and conditions of the implementing agreement. If, however, the Swiss Confederation gives notice to the Managing Director that in its opinion, based on its present and prospective balance of payments and reserve position, it should not make resources available in accordance with this proposal, or should make available a smaller amount than that proposed, the Swiss Confederation will not be obliged to make any such resources available or more resources than it represents to the Managing Director that it should make available.

(4) If the Swiss Confederation makes resources available to a participant otherwise than in accordance with the procedure of paragraph (3), the Swiss Confederation, after consultation with the Managing Director, may deem such resources to be or to have been made available pursuant to this letter, provided that at the date of such deeming Switzerland has entered into an implementing agreement with that participant, that at the date of such deeming a proposal for calls for the benefit of that participant is in effect under Paragraph 7 of the General Arrangements and provided that the terms and conditions for repayment to Switzerland accord or are made to accord with paragraph (5).

(5) The effect of the terms and conditions for the timing of repayment of resources made available by Switzerland pursuant to this letter will correspond, to the maximum extent practicable, with the repayment provisions of Paragraph 11 of the General Arrangements.

(6) The Fund may, at the request of a party to an implementing agreement, make any determination, or use its good offices, to facilitate the operation of an implementing agreement, subject, however, to paragraph (9).

(7) Whenever the Swiss Confederation makes resources available pursuant to paragraph (3) or deems resources to be or to have been made available pursuant to paragraph (4), the Swiss Confederation will inform the Managing Director of the amount in terms of Swiss francs thus made available. The Swiss Confederation will inform the Managing Director of the amount in terms of
Swiss francs of the repayment of any resources made available pursuant to paragraph (3) or (4).

(8) The Swiss Confederation and the Fund will provide each other with the general information necessary to facilitate the operation of this letter and implementing agreements.

(9) The Fund does not accept any responsibility or liability, whether as guarantor or otherwise, in connection with this letter or with respect to the performance of the terms and conditions of an implementing agreement.

(10) This letter will remain effective for four years from October 24, 1962, provided that the Swiss Confederation may rescind this letter, with immediate effect, within one month after an amendment of the General Arrangements becomes effective pursuant to Paragraph 15 of the General Arrangements. This letter may be amended or rescinded at any time if the Swiss Confederation and the Fund shall so agree.

(11) Any question of interpretation or application of these understandings will be settled to the mutual satisfaction of the Swiss Confederation and the Fund.

(12) For the purposes of this letter, references to participants shall be deemed to include the official institution of a participant with which an implementing agreement is made, even though such institution is not a “participating institution” under the General Arrangements.

(13) All communications by or to the Swiss Confederation pursuant to this letter shall be made by or to the Swiss Bank.

I propose that, if this letter is approved by the International Monetary Fund, this letter and your reply constitute an agreement between the Swiss Federal Council and the International Monetary Fund, which shall enter into force on the date of your reply. I hereby declare that the Swiss Confederation has taken all steps necessary to implement the exchange of letters.

Accept, Sir, the assurances of my highest consideration.

/s/
A. ZEHNDER
Ambassador of Switzerland
June 11, 1964

Sir:

I am pleased to acknowledge receipt of your letter of June 11, 1964. I have been authorized to inform you that the understandings set forth in your letter are accepted by the International Monetary Fund. Accordingly, your letter and this reply constitute an agreement between the International Monetary Fund and the Swiss Federal Council, which will enter into force on the date of this reply.

Accept, Sir, the assurances of my highest consideration.

Very truly yours,

/s/
Pierre-Paul Schweitzer
Managing Director

His Excellency
Alfred Zehnder
Ambassador of Switzerland
2900 Cathedral Avenue, N.W.
Washington, D.C. 20008

BORROWING AGREEMENT WITH SWISS NATIONAL BANK, 1976

The Executive Directors approve the letter [below] from the Managing Director to Dr. Fritz Leutwiler, President of the Directorate of the Swiss National Bank, which proposes the terms and conditions on which the Fund would borrow from the Swiss National Bank.

Decision No. 5288-(76/167)
December 22, 1976
Letter from the Managing Director of the Fund to the President of the
Directorate of the Swiss National Bank

December 22, 1976

Sir:

In accordance with the Articles of Agreement of the International Monetary
Fund, hereinafter referred to as "the Articles," and pursuant to Executive
Board Decision No. 5288-(76/167), adopted December 22, 1976, I have been
authorized to propose on behalf of the International Monetary Fund, herein-
after referred to as "the Fund," that the Swiss National Bank, hereinafter
referred to as "the Bank," agree to lend to the Fund at call during the period of
the stand-by arrangement for the United Kingdom United States dollars in
amounts that in total do not exceed the equivalent of three hundred million
special drawing rights (SDR 300,000,000), provided that if the total amount
of a proposal for future calls approved by the Executive Directors pursuant
to Paragraph 7(a) of the General Arrangements to Borrow to finance the stand-
by arrangement for the United Kingdom is reduced below the equivalent
of two billion five hundred sixty million special drawing rights
(SDR 2,560,000,000), the Swiss National Bank shall have the option to
reduce the amount of three hundred million special drawing rights
(SDR 300,000,000) by the same proportion, on the following terms and
conditions:

1. (a) All amounts under this agreement shall be expressed in terms of the
special drawing right. For all the purposes of this agreement, the value of a
currency in terms of the special drawing right shall be calculated at the rate of
the currency as determined by the Fund in accordance with Rule O-3 of the
Fund's Rules and Regulations in effect when the calculation is made, subject
to Paragraph 1(b). A copy of the present Rule O-3 is attached.* The Fund will
inform the Bank immediately of all its decisions relating to the valuation of
the special drawing right.

(b) If the Fund decides to make a change in the way in which the value of
the unit of special drawing rights is determined, (i) the Bank shall have the
option to have the unit of value of the special drawing right in effect under
Rule O-3 before the change continue to apply for the purposes of this
agreement; (ii) the Fund shall have the option to repay any amounts it is
committed to repay, and to make repayment on the basis of the unit of value of
the special drawing right in effect under Rule O-3 before the change.

*Rule O-3 is not included in this volume; it corresponds to Rules O-1 and O-2 in the Fund's
2. (a) Calls under this agreement shall be made only for exchange transactions under the stand-by arrangement for the United Kingdom referred to above, and shall be such proportion of SDR 300,000,000 as the purchase under the stand-by arrangement bears to the total of the stand-by arrangement.

    (b) With the concurrence of the Bank, the Fund may make a call, under the terms of this agreement, in an amount larger than the proportion stipulated in Paragraph 2(a).

    (c) When a call is made, the Bank shall transfer to the Fund’s account with the Federal Reserve Bank of New York within three business days after the call an amount of United States dollars equivalent to the amount of the call.

3. The Fund shall issue to the Bank, on its request, non-negotiable instruments expressed in special drawing rights evidencing the Fund’s indebtedness to the Bank. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

4. (a) The Fund shall pay a charge of one-half of one per cent on transfers under Paragraph 2.

    (b) The Fund shall pay interest on its indebtedness under this agreement in accordance with the provisions of Paragraph 9(b)* of the General Arrangements to Borrow in effect at the time payment is made, subject to Paragraph 4(c). A copy of the present Paragraph 9(b)* is attached. The Fund will inform the Bank of any amendment of Paragraph 9(b).*

    (c) If amendments of Paragraph 9(b) of the General Arrangements to Borrow are adopted, the Bank shall have the option to have the provision prescribing the rate or rates of interest, including any minimum rate, in effect before the amendment continue to apply for the purpose of the payment of interest under this agreement.

    (d) If the Fund has to repay pursuant to a request by the Bank under Paragraph 5(d) part or all of the Fund’s indebtedness under this agreement,

        (i) the annual rate of interest over the period from the date of the transfer to the date of repayment on the amount to be repaid shall be reduced by one-half of one per cent; and

*No longer in effect. For the amended Paragraph 9(b), see page 161.
(ii) the rate of the charge paid under Paragraph 4(a) on the amount to be repaid shall be reduced to such proportion of one-half of one per cent as the period from the date of the transfer to the date of repayment bears to five years.

The amount of interest and charge to be returned to the Fund shall be withheld from the amount to be repaid under Paragraph 5.

5. (a) Subject to the other provisions of this Paragraph 5, the Fund, five years after a transfer by the Bank pursuant to a call under Paragraph 2, shall repay the Bank an amount equivalent to the transfer. Repayment to the Bank under the subsequent provisions of this Paragraph 5 shall be credited against transfers by the Bank in the order in which repayment is to be made under this Paragraph 5(a).

(b) If the United Kingdom makes a repurchase in respect of all or part of a purchase for which a transfer was made under Paragraph 2, the Fund shall repay the Bank an amount equivalent to the same proportion of the repurchase as the transfer under Paragraph 2 bore to the purchase except when the repurchase augments the right of the United Kingdom to make purchases under the stand-by arrangement. If the United Kingdom does not exercise its augmented rights in full, the Fund shall promptly repay on the expiration of the stand-by arrangement such proportion of the amount not repaid to the Bank in accordance with the preceding sentence as the augmented rights not utilized by the United Kingdom bear to the total augmented rights.

(c) The Fund may repay the Bank in advance of the repayments required by Paragraph 5(a) or (b).

(d) If at any time the Bank requests the Fund to repay all or part of the Fund's indebtedness because in the opinion of the Bank the balance of payments and reserve position of Switzerland requires such repayment, then the Fund will repay the Bank not later than thirty days after the Bank requests repayment.

6. The Fund shall consult the Bank in order to agree the means in which payment of interest and repayment will be made, but, if agreement is not reached, the Fund shall make payment or repayment in United States dollars.

7. The Bank may transfer all or part of its claim to repayment under this agreement with the prior consent of the Fund and on terms and conditions acceptable to the Fund.

8. In the event of liquidation of the Fund the amounts the Fund is committed to repay to the Bank shall be immediately due and payable as
liabilities of the Fund under Paragraph 1 of Schedule E* of the Articles. For the purpose of Paragraph 1(a) of Schedule E* the currency in which the liability is payable shall be, at the option of the Fund, United States dollars or any other currency agreed with the Bank.

9. Any question of interpretation of this agreement shall be settled to the mutual satisfaction of the Bank and the Fund.

If the foregoing proposal is acceptable to the Bank, this communication and your reply shall constitute an agreement between the Bank and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

H. JOHANNES WITTEVEEN
Managing Director

Dr. Fritz Leutwiler
President of the Directorate
Swiss National Bank
Börsenstrasse 15
8022 Zurich
Switzerland

Note: The reply by the Swiss National Bank was received by the Fund on December 30, 1976.

BORROWING AGREEMENT WITH SWISS NATIONAL BANK, 1977

The Executive Board approves the letter [below] from the Managing Director to Dr. Fritz Leutwiler, President of the Directorate of the Swiss National Bank, which proposes the terms and conditions on which the Fund would borrow from the Swiss National Bank.

Decision No. 5387-(77/61)
April 25, 1977

*Corresponds to Schedule K of the Articles of Agreement after the Second Amendment.
Sir:

In accordance with the Articles of Agreement of the International Monetary Fund, hereinafter referred to as "the Articles," and pursuant to Executive Board Decision No. 5387-(77/61), adopted April 25, 1977, I have been authorized to propose on behalf of the International Monetary Fund, hereinafter referred to as "the Fund," that the Swiss National Bank, hereinafter referred to as "the Bank," agree to lend to the Fund at call during the period of the stand-by arrangement for Italy United States dollars in amounts that in total do not exceed the equivalent of thirty-seven million five hundred thousand special drawing rights (SDR 37,500,000), provided that if the total amount of a proposal for future calls approved by the Executive Directors pursuant to Paragraph 7(a) of the General Arrangements to Borrow to finance the stand-by arrangement for Italy is reduced below the equivalent of three hundred and thirty-seven million five hundred thousand special drawing rights (SDR 337,500,000), the Swiss National Bank shall have the option to reduce the amount of thirty-seven million five hundred thousand special drawing rights (SDR 37,500,000) by the same proportion, on the following terms and conditions:

1. (a) All amounts under this agreement shall be expressed in terms of the special drawing right. For all the purposes of this agreement, the value of a currency in terms of the special drawing right shall be calculated at the rate for the currency as determined by the Fund in accordance with Rule O-3* of the Fund's Rules and Regulations in effect when the calculation is made, subject to Paragraph 1(b). A copy of the present Rule O-3* is attached. The Fund will inform the Bank immediately of all its decisions relating to the valuation of the special drawing right.

(b) If the Fund decides to make a change in the way in which the value of the unit of special drawing rights is determined, (i) the Bank shall have the option to have the unit of value of the special drawing right in effect under Rule O-3* before the change continue to apply for the purposes of this agreement; (ii) the Fund shall have the option to repay any amounts it is

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committed to repay, and to make repayment on the basis of the unit of value of the special drawing right in effect under Rule O-3* before the change.

2. (a) Calls under this agreement shall be made only for exchange transactions under the stand-by arrangement for Italy referred to above, and shall be such proportion of SDR 37,500,000 as the purchase under the stand-by arrangement bears to the total of the stand-by arrangement.

(b) With the concurrence of the Bank, the Fund may make a call, under the terms of this agreement, in an amount larger than the proportion stipulated in Paragraph 2(a).

(c) When a call is made, the Bank shall transfer to the Fund's account with the Federal Reserve Bank of New York within three business days after the call an amount of United States dollars equivalent to the amount of the call.

3. The Fund shall issue to the Bank, on its request, non-negotiable instruments expressed in special drawing rights evidencing the Fund's indebtedness to the Bank. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

4. (a) The Fund shall pay a charge of one-half of one per cent on transfers under Paragraph 2.

(b) The Fund shall pay interest on its indebtedness under this agreement in accordance with the provisions of Paragraph 9(b) of the General Arrangements to Borrow in effect at the time payment is made, subject to Paragraph 4(c). A copy of the present Paragraph 9(b)** is attached. The Fund will inform the Bank of any amendment of Paragraph 9(b).

(c) If amendments of Paragraph 9(b) of the General Arrangements to Borrow are adopted, the Bank shall have the option to have the provision prescribing the rate or rates of interest, including any minimum rate, in effect before the amendment continue to apply for the purpose of the payment of interest under this agreement.


**No longer in effect. For the amended Paragraph 9(b), see page 161.
(d) If the Fund has to repay pursuant to a request by the Bank under Paragraph 5(d) part or all of the Fund’s indebtedness under this agreement,

(i) the annual rate of interest over the period from the date of the transfer to the date of the repayment on the amount to be repaid shall be reduced by one-half of one per cent; and

(ii) the rate of the charge paid under Paragraph 4(a) on the amount to be repaid shall be reduced to such proportion of one-half of one per cent as the period from the date of the transfer to the date of repayment bears to five years.

The amount of interest and charge to be returned to the Fund shall be withheld from the amount to be repaid under Paragraph 5.

5. (a) Subject to the other provisions of this Paragraph 5, the Fund, five years after a transfer by the Bank pursuant to a call under Paragraph 2, shall repay the Bank an amount equivalent to the transfer. Repayment to the Bank under the subsequent provisions of this Paragraph 5 shall be credited against transfers by the Bank in the order in which repayment is to be made under this Paragraph 5(a).

(b) If Italy makes a repurchase in respect of all or part of a purchase for which a transfer was made under Paragraph 2, the Fund shall repay the Bank an amount equivalent to the same proportion of the repurchase as the transfer under Paragraph 2 bore to the purchase except when the repurchase augments the right of Italy to make purchases under the stand-by arrangement. If Italy does not exercise its augmented rights in full, the Fund shall promptly repay on the expiration of the stand-by arrangement such proportion of the amount not repaid to the Bank in accordance with the preceding sentence as the augmented rights not utilized by Italy bear to the total augmented rights.

(c) The Fund may repay the Bank in advance of the repayments required by Paragraph 5(a) or (b).

(d) If at any time the Bank requests the Fund to repay all or part of the Fund’s indebtedness because in the opinion of the Bank the balance of payments and reserve position of Switzerland requires such repayment, then the Fund will repay the Bank not later than thirty days after the Bank requests repayment.

6. The Fund shall consult the Bank in order to agree the means in which payment of interest, payment of the charge under Paragraph 4(a), and repayment will be made, but, if agreement is not reached, the Fund shall make payment or repayment in United States dollars.
7. The Bank may transfer all or part of its claim to repayment under this agreement with the prior consent of the Fund and on terms and conditions acceptable to the Fund.

8. In the event of liquidation of the Fund the amounts the Fund is committed to repay to the Bank shall be immediately due and payable as liabilities of the Fund under Paragraph 1 of Schedule E* of the Articles. For the purpose of Paragraph 1(a) of Schedule E* the currency in which the liability is payable shall be, at the option of the Fund, United States dollars or any other currency agreed with the Bank.

9. Any question of interpretation of this agreement shall be settled to the mutual satisfaction of the Bank and the Fund.

If the foregoing proposal is acceptable to the Bank, this communication and your reply shall constitute an agreement between the Bank and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

/s/
H. JOHANNES WITTEVEEN
Managing Director

Dr. Fritz Leutwiler
President of the Directorate
Swiss National Bank
Börsenstrasse 15
8022 Zurich
Switzerland

Note: The reply by the Swiss National Bank was received by the Fund on May 11, 1977.

BORROWING AGREEMENT WITH SWISS NATIONAL BANK: MEDIA OF PAYMENT OF INTEREST

Under paragraph 6 of the borrowing agreement with the Swiss National Bank, the Managing Director is authorized to offer to the Swiss National Bank in settlement of interest payable by the
Fund under paragraph 4 of that agreement either a currency, or currencies, selected for payment of interest in the currency budget, or United States dollars.

Decision No. 5331-(77/15)
January 31, 1977

BORROWING AGREEMENT WITH SWISS NATIONAL BANK: MEDIUM OF PAYMENT OF TRANSFER CHARGES

The Managing Director is authorized to offer U.S. dollars to the Swiss National Bank in settlement of transfer charges payable by the Fund under paragraph 4(a) of the borrowing agreement with the Swiss National Bank provided the U.S. dollar is usable in purchases under the currency budget.

Decision No. 5306-(77/2)
January 3, 1977

BORROWING AGREEMENT WITH SWISS NATIONAL BANK: MEDIA OF PAYMENT OF TRANSFER CHARGES AND INTEREST

1. The Managing Director is authorized to offer U.S. dollars to the Swiss National Bank in settlement of transfer charges payable by the Fund under paragraph 4(e) of the borrowing agreement with the Swiss National Bank, provided the U.S. dollar is usable in purchases under the currency budget.

2. Under paragraph 6 of the above-mentioned borrowing agreement the Managing Director is authorized to offer to the Swiss National Bank in settlement of interest payable by the Fund either a currency, or currencies, selected for the payment of interest in the currency budget, or United States dollars.

Decision No. 5488-(77/116)
August 1, 1977
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GENERAL ARRANGEMENTS TO BORROW: ASSOCIATION AGREEMENT WITH SAUDI ARABIA*

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter proposing a borrowing agreement with Saudi Arabia, as set forth in the attachment to EBS/83/89. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement between Saudi Arabia and the Fund, which shall enter into force on the date on which the revised and enlarged General Arrangements to Borrow authorized by Decision No. 7337-(83/37) become effective.

Decision No. 7403-(83/73)
May 20, 1983

Attachment

Letter Proposing an Agreement Between
Saudi Arabia and the Fund

Your Excellency:

I refer to Decision No. 7337-(83/37) of the Executive Board of the International Monetary Fund (the Fund), providing for a revision and enlargement of the General Arrangements to Borrow (the GAB), and to the desire of Saudi Arabia to strengthen the Fund by providing supplementary resources, in association with and for the same purposes as the GAB. Accordingly, pursuant to Article VII of the Articles of Agreement of the Fund (the Articles) and Executive Board Decision No. 7403-(83/73), adopted May 20, 1983, I have been authorized to propose on behalf of the Fund that Saudi Arabia enter into an Agreement with the Fund as set forth below:

Paragraph 1. The Credit Arrangement

During the period specified in Paragraph 2 and any renewal thereof, Saudi Arabia will stand ready to lend Saudi riyals to the Fund up to a maximum amount equivalent to one thousand five hundred million SDRs (SDR 1,500,000,000), on the terms and conditions set forth in this Agreement, to assist the Fund in the financing of purchases by members for

*The Agreement with Saudi Arabia entered into force on December 26, 1983.
the same purposes and in the same circumstances as are prescribed in the GAB. This amount may be changed by agreement between Saudi Arabia and the Fund.

Paragraph 2. Period of Credit Arrangement and Renewal

(a) Amounts of resources may be called by the Fund hereunder during a period of five years from the date this Agreement enters into force, unless the Fund’s right to make calls is terminated earlier in accordance with this Agreement.

(b) When a renewal of the GAB Decision is under consideration, the Fund and Saudi Arabia shall consult regarding the renewal of the credit arrangement under this Agreement or the conclusion of such other credit arrangement as may be found appropriate at that time.

(c) Notwithstanding the termination of the credit arrangement under this Agreement, the provisions of Paragraphs 4 through 13 shall continue to apply until all the obligations of the Fund under this Agreement have been discharged.

Paragraph 3. Calls

(a) Calls may be made only pursuant to a proposal of the Managing Director that has become effective in accordance with (d) below.

(b) The Managing Director may make a proposal for calls for purchases, including future calls for purchases under stand-by or extended arrangements, (i) if he considers that a proposal for calls or future calls for the same purchases could be made under the GAB and (ii) after consultation with Saudi Arabia at the same time and in the same manner as he consults GAB participants.

(c) In deciding whether to make a proposal and the amount to be called thereunder, the Managing Director shall take into account the present and prospective balance of payments and reserve position of Saudi Arabia and the Fund’s holdings of Saudi riyals.

(d) A proposal for calls shall become effective only when Saudi Arabia has notified the Fund that it accepts the proposal and the proposal has been approved by the Executive Board of the Fund. Calls shall be made as and when amounts of Saudi riyals are needed by the Fund to finance purchases covered by the proposal.

(e) When the Fund makes a call, Saudi Arabia shall transfer to the account of the Fund, free of any charge or commission, an amount of Saudi riyals
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equivalent to the amount of the call. The transfer shall be made on the date specified in the call. Saudi Arabia shall exchange the riyals for a freely usable currency of its choice in accordance with Article V, Section 3 of the Articles.

(f) If Saudi Arabia represents to the Fund that, in view of the present and prospective balance of payments and reserve position of Saudi Arabia, future calls under a proposal that has become effective as provided in (d) above should no longer be made or be made for a smaller amount and the Fund, after giving the overwhelming benefit of any doubt to the representation, determines that it is justified, the Fund shall comply with Saudi Arabia's representation.

Paragraph 4. Evidence of Indebtedness

The Fund shall issue to Saudi Arabia, at its request, a nonnegotiable instrument or instruments in a form to be agreed with Saudi Arabia, evidencing the Fund's outstanding indebtedness to Saudi Arabia under this Agreement. Upon repayment of an amount of indebtedness evidenced by an instrument and all accrued interest thereon, the instrument shall be returned to the Fund for cancellation, and if any balance of the indebtedness remains outstanding, the Fund shall issue a new instrument for the remainder of the amount, with the same maturity date.

Paragraph 5. Interest

(a) The Fund shall pay interest on its outstanding indebtedness at a rate equal to the combined market interest rate computed by the Fund from time to time under its Rules and Regulations for the purpose of determining the rate at which it pays interest on holdings of SDRs. If the Fund changes the method of computing the combined market interest rate, the new method will apply to amounts borrowed hereunder only if it is applied to borrowing by the Fund under the GAB, and Saudi Arabia agrees.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

Paragraph 6. Repayment by the Fund

(a) Subject to other provisions of this Agreement, the Fund shall repay an amount equal to each amount transferred by Saudi Arabia hereunder five years after the date the transfer was made. To the extent the member whose purchase the amount was used to finance is committed to repurchase by installments on fixed dates falling earlier than five years after that date, the Fund shall repay the amount in corresponding installments on those fixed dates.
(b) Whenever a reduction in the Fund's holdings of currency of a purchasing member is attributed to a purchase financed with an amount transferred by Saudi Arabia hereunder, the Fund shall promptly make a corresponding repayment to Saudi Arabia. If the amount was used to finance a reserve tranche purchase, and the Fund's holdings of the purchasing member's currency not subject to repurchase are reduced as a result of net sales of the currency during a quarterly period covered by an operational budget, the Fund shall make a corresponding repayment to Saudi Arabia at the beginning of the next quarterly period. The amount repaid under this subparagraph (b) shall bear the same proportion to the amount of the reduction as the amount transferred under this Agreement bears to the amount of the purchase.

(c) Before the date repayment is due under (a) or (b) above, the Fund, after consultation with Saudi Arabia, may repay all or part of its outstanding indebtedness hereunder.

(d) If Saudi Arabia represents to the Fund that it has a balance of payments need for repayment before the due date of all or part of such outstanding indebtedness and requests such repayment, and the Fund after giving Saudi Arabia's representation the overwhelming benefit of any doubt determines that there is such a need, the Fund shall make early repayment as requested by Saudi Arabia.

(e) Amounts repaid under (c) and (d) shall be credited against outstanding indebtedness in the order in which such indebtedness would fall due under (a) above.

(f) The Fund shall at no time reduce its holdings of the currency of a member whose purchases were financed by borrowing hereunder below an amount equal to the outstanding amount of such borrowing plus any outstanding amount borrowed under the GAB to finance purchases by the same member.

(g) When any repayment is made to Saudi Arabia, the amount that the Fund may call for under the credit arrangement shall be restored pro tanto.

Paragraph 7. Media of Payment

(a) Payments of interest and repayments of principal shall be made, as determined by the Fund after consultation with Saudi Arabia, in Saudi riyals, in SDRs or in currencies that are actually convertible; provided that (i) unless Saudi Arabia agrees, SDRs shall not be used in early repayment under Paragraph 6(c) if the effect would be to increase Saudi Arabia's holdings of
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SDRs above the limit specified in Article XIX, Section 4 of the Articles, and (ii) Saudi riyals shall not be used in early repayment on balance of payments grounds under Paragraph 6(d).

(b) Currencies other than Saudi riyals to be used in payment of interest and repayment of principal shall be selected by the Fund from those that can be used in net sales under the operational budget of the Fund in effect at the time the payment is made.

Paragraph 8. Rates of Exchange

All amounts under this Agreement shall be denominated in SDRs, as valued by the Fund from time to time. The value in terms of SDRs of Saudi riyals to be transferred by Saudi Arabia to the Fund and of payments to be made by the Fund to Saudi Arabia in currencies shall be determined in accordance with Rule O-2 of the Rules and Regulations of the Fund.

Paragraph 9. Transferability

Saudi Arabia may transfer all or part of its claims under this Agreement only with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 10. Withdrawal from Membership

If Saudi Arabia withdraws from membership in the Fund, no further calls shall be made hereunder. The Fund's outstanding indebtedness hereunder shall be treated as an amount due from the Fund for purposes of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 11. Suspension of Exchange Transactions and Liquidation

(a) The right of the Fund to make calls and its obligation to make repayment hereunder shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, no further calls shall be made by the Fund hereunder. The Fund's outstanding indebtedness shall constitute a liability under Schedule K of the Articles. For the purpose of Paragraph 1(a) of Schedule K, the currency in which each amount of the Fund's indebtedness is payable shall be first Saudi riyals and then any currency that is actually convertible.

Paragraph 12. Amendments

(a) This Agreement may be amended at any time, by agreement between Saudi Arabia and the Fund.
(b) If the revised and enlarged GAB is modified while this Agreement is in effect, Saudi Arabia and the Fund will consult with each other with a view to determining whether consequential modifications should be made in the provisions of this Agreement.

(c) If, after consultation with the Fund and the GAB participants, Saudi Arabia proposes that the credit arrangement under this Agreement be converted into or replaced by an arrangement of the type referred to in Paragraph 23(a) or Paragraph 23(b) of the revised GAB Decision, as the case may be, the Fund will consider the steps to be taken, subject to the concurrence of the GAB participants as necessary, to effect such conversion or replacement.

Paragraph 13. Interpretation; Settlement of Disputes

Any question of interpretation arising in connection with this Agreement that does not fall within the purview of Article XXIX of the Articles, and any dispute arising hereunder, shall be settled to the mutual satisfaction of Saudi Arabia and the Fund.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia’s acceptance shall constitute an Agreement between Saudi Arabia and the Fund, which shall enter into force on the date on which the revised and enlarged GAB authorized by Decision No. 7337-(83/37) of the Executive Board of the Fund becomes effective.

Very truly yours,

/\s/

J. DE LAROSIERE

Note: The reply indicating Saudi Arabia’s acceptance was received by the Fund on July 18, 1983.

REPLENISHMENT IN CONNECTION WITH SUPPLEMENTARY FINANCING FACILITY

1. The International Monetary Fund deems it appropriate in accordance with Article VII of the Articles of Agreement to replenish its holdings of currencies to the extent that purchases are to be made with supplementary financing under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977.

2. A number of members and institutions have expressed their intention to make resources available to the Fund for the purpose stated in paragraph 1 above. In order to enable the Fund to
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replenish its resources in accordance with these intentions, the draft letter set out in the Annex to this Decision is adopted as the basis for terms and conditions to be incorporated in the agreement with each contracting party under Article VII of the Articles of Agreement. The terms and conditions will be uniform to the maximum extent possible. Each letter setting forth the terms and conditions to be proposed will be submitted to the Executive Directors for their approval.

3. At any time within the period in which the Fund can replenish its resources in order to provide supplementary financing, it may enter into agreements for this purpose with the contracting parties referred to in paragraph 2 above and with any other member or with its national official financial institutions, provided that the member is in a sufficiently strong balance of payments and reserve position, or with any institution that performs functions of a central bank for more than one member. The Fund will consider a member to be in the position referred to above if it is in a net creditor position in the Fund and if its currency could be used in net sales in the Fund’s currency budgets for the foreseeable future, but the Fund may take other circumstances into account in deciding whether to enter into an agreement with a member or with its national official financial institutions.

4. The amounts to be called by the Fund will be in broad proportion to the unutilized balance under each agreement to the total of unutilized balances under all agreements, subject to such operational flexibility as the Fund may find necessary.

5. The Fund will use its best efforts to ensure that the currencies it receives in accordance with this Decision will be transferred on the same day to purchasers under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, and that amounts corresponding to repurchases attributed in accordance with Paragraph 5(b)(i) of the draft letter set out in the Annex to this Decision will be repaid to contracting parties on the same day as the repurchase is completed, provided, however,
that the Fund will not make such repayment, unless it decides otherwise, if the repurchase entitles the purchaser to augmented rights under its stand-by or extended arrangement.* If such repayment has not been made, the Fund will repay promptly on the expiration of the arrangement an amount equivalent to the amount of the augmented rights that have not been exercised.

Decision No. 5509-(77/127)
August 29, 1977

ANNEX

[Your Excellency] [Dear Sir]:

In accordance with Article VII of the Articles of Agreement of the International Monetary Fund, hereinafter referred to as "the Articles," and pursuant to Executive Board Decision No. 5509-(77/127), adopted August 29, 1977, and Executive Board Decision No. [authorizing agreement with individual contracting party, X] adopted ____________, I have been authorized to propose on behalf of the International Monetary Fund, hereinafter referred to as "the Fund," that [X] agree to make available to the Fund at call during the period of five years from the effective date of Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, [currency of X] [specified currency or currencies deemed by the Fund to be freely usable] in amounts that in total do not exceed the equivalent of _______ million special drawing rights (SDR ________) in exchange for readily repayable claims on the following terms and conditions:

1. All amounts under this agreement shall be expressed in terms of the special drawing right. For all purposes of this agreement, the value of a currency in terms of the special drawing right shall be calculated at the rate for the currency as determined

*See Decision No. 5706-(78/39), reproduced on page 72.
by the Fund in accordance with the Fund's Rules and Regulations in effect when the calculation is made, subject to Paragraph 7(a).

2. (a) Calls under this agreement shall be made only (i) in respect of purchases to be made with supplementary financing under the facility established by Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, which is hereinafter referred to as "the facility," or (ii) by agreement with [X], in order to enable the Fund to repay a claim under another agreement connected with the facility when repayment is made under that agreement because of a balance of payments need.

(b) The Fund shall give [X] as much advance notice as possible of the Fund's intention to make calls.

(c) [X] may represent that its balance of payments and reserve position does not justify calls or further calls under this agreement. The Fund, in considering the representation, shall give [X] the overwhelming benefit of any doubt. After consultation with [X], in which the Fund shall give [X] the overwhelming benefit of any doubt, the Fund may make calls or further calls at a later date when in the opinion of the Fund the balance of payments and reserve position of [X] improves sufficiently to justify calls or further calls.

(d) When a call is made, [X] shall deposit to the Fund's account with [X] [the Fund's depository for the currency of [X]] [the Fund's depository for the currency of _______] within three business days after the call an amount of [its currency] [the currency or currencies specified in the preamble] equivalent to the amount of the call at the rate for the currency as determined by the Fund in accordance with the Fund's Rules and Regulations. On request, [X] shall exchange its currency [if not deemed by the Fund to be freely usable] when sold by the Fund for a freely usable currency at the rates for the two currencies as determined by the Fund in accordance with its Rules and Regulations.

3. The Fund shall issue to [X] on its request an instrument evidencing the amount, expressed in special drawing rights, that
the Fund is committed to repay under this agreement. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be cancelled. If less than the amount of any such instrument is repaid, the instrument shall be cancelled and a new instrument for the remainder of the amount shall be substituted with the same maturity dates as in the old instrument. If all or part of the amount of a claim is transferred under 8 below, a new instrument or instruments shall be substituted on request for the old instrument with the same maturity dates as in that instrument.

4. (a) The Fund shall pay interest on the amount that the Fund is committed to repay under this agreement in accordance with the following provisions:

   (i) The initial rate of interest on all outstanding claims shall be seven per cent per annum. This rate shall apply until June 30, 1978.

   (ii) Six months after June 30, 1978, and at intervals of six months thereafter, the Fund shall calculate, in the manner set forth in (iii) below, the rate of interest to be paid on outstanding claims for the period of six months prior to the calculation.

   (iii) The interest rate on outstanding claims for a period of six months shall be the average of the daily yields during that period on actively traded U.S. Government securities, determined on the basis of a constant maturity of five years, as published each week by the Federal Reserve Board, Washington, D.C. in statistical release H-15 or any substitute publication, or if such publication shall cease as certified by the U.S. Treasury, provided that this average shall be rounded up to the nearest one-eighth of one per cent.
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(iv) Interest shall be paid promptly after June 30 and December 31 of each year on the average daily balances outstanding during the preceding six months of the amounts the Fund is committed to repay under this agreement.

(b) No other fee, charge, or commission shall be imposed by [X] with respect to a deposit or an exchange pursuant to a call under Paragraph 2(d) or with respect to any other aspect of a call.

5. (a) Subject to the other provisions of this Paragraph 5, the Fund shall repay [X] an amount equivalent to any deposit pursuant to a call under Paragraph 2 in eight equal semiannual installments to commence three and one-half years, and to be completed not later than seven years, after the date of the deposit.

(b) The Fund may repay [X] in advance of the repayments required by Paragraph 5(a) to the extent that: (i) a repurchase is attributed, in accordance with the Fund’s practice, to a purchase under the facility for which the Fund has received resources from [X] under this agreement, or (ii) [X] agrees to receive repayment.

(c) If at any time [X] represents that there is a balance of payments need for repayment of part or all of the amount the Fund is committed to repay under this agreement and requests such repayment, the Fund, in considering the representation and deciding whether to make repayment, shall give [X] the overwhelming benefit of any doubt.

(d) Repayments under Paragraph 5(b) and (c) shall discharge the installments prescribed by Paragraph 5(a) in the order in which they become due.

6. The Fund shall consult [X] in order to agree with it on the means in which payments of interest and repayment shall be made, but, if agreement is not reached, the Fund shall [have the option to] make payment or repayment in [the currency of [X], or] the currency received by the Fund from [X], [or] [special
drawing rights] [or any currency deemed by the Fund to be freely usable or any currency that can be exchanged at the time of the payment or repayment for a freely usable currency at a rate of exchange that would yield value equal in terms of the special drawing right to payment or repayment in a freely usable currency,] [or any combination of these means of payment or repayment].

7. (a) If the Fund decides to make a change in the method of valuation of the special drawing right, [X] shall have the option to require immediate repayment of all outstanding claims on the basis of the method of valuation in effect before the change.

(b) If [X] exercises its option under Paragraph 7(a), it shall have the further option to cancel this agreement.

8. (a) For value agreed between transferor and transferee, transfers may be made at any time of all or part of a claim to repayment under this agreement in accordance with the following provisions:

(i) Transfers may be made to any contracting party, any member, a member's national official financial institution (hereinafter referred to as a member's "institution"), or any institution that performs functions of a central bank for more than one member.

(ii) Transfers may be made to transferees other than those referred to in (i) above with the prior consent of the Fund and on such terms and conditions as it may prescribe.

(b) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the transferee, the amount of the transfer, the agreed value for the transfer, and the value date. The transfer will be registered by the Fund if it is in accordance with this agreement. The transfer shall be effective for the purposes of this agreement as of the value date agreed between the transferor and transferee.
(c) If all or part of a claim is transferred during a period of six months as described in Paragraph 4, the Fund shall pay interest on the amount of the claim transferred for the whole of that period to the transferee.

(d) Subject to (c) and to any terms and conditions prescribed under (a) (ii), the claim of a transferee shall be the same in all respects as the claim of the transferor, except that Paragraph 5(c) shall apply only if, at the time of the transfer, the transferee is a member, or the institution of a member, that is in a net creditor position in the Fund and in the opinion of the Fund the member's currency could be used in net sales in the Fund's currency budgets for the foreseeable future.

(e) If requested, the Fund shall assist in arranging transfers.

9. [If {X} withdraws from the Fund, this agreement shall terminate and the amount that the Fund is committed to repay under this agreement shall be repaid in accordance with the terms of this agreement, provided that repayment shall be made, at the option of the Fund, in the currency of {X} [or in a currency deemed by the Fund to be freely usable], or in such other currency as may be agreed with {X}.] [If the member country of which {X} is an institution withdraws from the Fund, {X}'s agreement shall terminate, and the amount that the Fund is committed to repay under this agreement shall be repaid in accordance with the terms of this agreement, provided that repayment shall be made, at the option of the Fund, in the currency of that member [or in a currency deemed by the Fund to be freely usable], or in such other currency as may be agreed with {X}.]

10. In the event of liquidation of the Fund the amounts the Fund is committed to repay to {X} shall be immediately due and payable as liabilities of the Fund under the provisions of the Articles on liquidation of the Fund. For the purposes of these provisions the currency in which the liability is payable shall be, at the option of the Fund, [the currency received by the Fund]
under this agreement] [the currency of [X] if it differs from that currency], [a currency deemed by the Fund to be freely usable], or any other currency agreed with [X].

11. Any question of interpretation that arises under this agreement that does not fall within the purview of the provisions of the Articles on interpretation shall be settled to the mutual satisfaction of [X] and the Fund.

If the foregoing proposal is acceptable to [X], this communication and your duly authenticated reply shall constitute an agreement between [X] and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

/s/
H. JOHANNES WITTEVEEN
Managing Director

BORROWING IN CONNECTION WITH SUPPLEMENTARY FINANCING FACILITY: AUTHORIZATION TO MAKE CALLS

1. The Managing Director is authorized to make calls under the agreements to borrow entered into pursuant to Executive Board Decision No. 5509-(77/127), adopted August 29, 1977, in accordance with paragraph 4 of that Decision to replenish the Fund's holdings of currencies in respect of purchases that are to be made with supplementary financing under Executive Board Decision No. 5508-(77/127), adopted August 29, 1977.

2. In implementing paragraph 4 of Decision No. 5509-(77/127), the amounts to be called under each borrowing agreement on which calls can be made, the Managing Director shall take into account, as described in EBS/79/1, the size of the purchase to be financed by borrowing, and the balance of payments and reserve position of the lenders or the members whose financial institutions are the lenders.
3. The Managing Director shall inform the Executive Board promptly of calls that he has made.

Decision No. 6006-(79/3)
January 5, 1979

TRANSFERABILITY OF CLAIMS ON FUND UNDER OIL FACILITY AND SUPPLEMENTARY FINANCING FACILITY: MEANING OF "NET CREDITOR POSITION IN FUND"

For the purposes of Paragraph 3 of Executive Board Decision No. 5509-(77/127) of August 29, 1977, Paragraph 8(d) of the letter annexed to that Decision, and Paragraph 2(a)(iv)a of Executive Board Decision No. 5974-(78/190) of December 4, 1978, a member shall be considered to have a "net creditor position in the Fund" if the member has a reserve tranche position on which it receives remuneration and the Fund's holdings of the member's currency do not include any balances subject to repurchase under Schedule B or any balances subject to charges under Article V, Section 8(b) of the Articles of Agreement.

Decision No. 6008-(79/3)
January 5, 1979

BORROWING ARRANGEMENTS IN CONNECTION WITH SUPPLEMENTARY FINANCING FACILITY: PAYMENT OF INTEREST

The Managing Director shall make arrangements for consultations with lenders in order to agree with them on the means of payment of interest under the borrowing agreements concluded in accordance with Executive Board Decision No. 5509-(77/127), adopted August 29, 1977. Payments of interest shall be made in accordance with the procedure set forth [below]. Executive Directors shall be informed promptly of the interest paid and the assets used.

Decision No. 6163-(79/96)
June 21, 1979
Paragraph 6 of each of the borrowing agreements in connection with the supplementary financing facility provides that the Fund shall consult the lender in order to agree on the means with which interest will be paid. If agreement is not reached the Fund has the option to pay with the means indicated in the individual borrowing agreements. Interest payments shall be made promptly after June 30 and December 31 of each year on the average daily balances which were outstanding during the preceding six months and which the Fund is obliged to repay; the first payments will be made at the beginning of July 1979.

This paper deals with the procedure that is to be followed when consulting with lenders regarding the means that would be offered by the Fund for the payment of interest.

The rate of interest on amounts of outstanding claims under the supplementary financing facility for a period of six months is the average of the daily yields during these six months on actively traded U.S. Government securities, determined on the basis of a constant maturity of five years, as published by the Federal Reserve Board, Washington, D.C. This average rate is rounded up to the nearest 1/8 of 1 per cent.

In accordance with the policy guiding the selection of means for the payment of interest on borrowing for the financing of transactions under the oil facility, which was approved by the Executive Board, the lender has been offered its own currency, if the Fund's holdings of this currency were sufficient for this purpose, one or more currencies from the operational budget or SDRs, or a combination of these means... the means most generally used in the payment of interest on borrowing by the Fund has been the U.S. dollar. Although U.S. dollars were not included for use in payments by the Fund in the last three operational budgets, the Executive Directors agreed, for the convenience of lenders, to the use of this currency in the payment of interest on borrowings. It seems reasonable to follow the same
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procedures regarding the payment of interest under the supplementary financing facility.

It is proposed that the Managing Director be instructed to make arrangements, as necessary, for consultations with lenders in order to agree on the means for the payment of interest and to effect these payments in accordance with this procedure. Executive Directors would be informed promptly of the interest payments made and the means used.

POLICY ON ENLARGED ACCESS: BORROWING AGREEMENT WITH THE SAUDI ARABIAN MONETARY AGENCY

1. The International Monetary Fund deems it appropriate, in accordance with Article VII of the Articles of Agreement, to replenish its holdings of currencies by borrowing in order to finance purchases made under the Policy on Enlarged Access to the Fund's Resources established by Executive Board Decision No. 6783-(81/40), adopted March 11, 1981.

2. The Managing Director is authorized to send to the Governor of the Saudi Arabian Monetary Agency the letter, with Annexes A, B, C, and D, substantially in the terms set forth in the Attachment to EBS/81/95. When a duly authenticated reply is received from the Governor, the letter, with the Annexes, and the Governor's reply shall constitute an agreement between SAMA and the Fund (hereinafter called the Agreement) which shall enter into force on the date on which the Fund receives such reply.

3. (a) The Managing Director is authorized to give notices for calls and to make calls from time to time under the Agreement for such amounts as he deems to be necessary in order for the Fund to be in a position to meet purchases under the Policy on Enlarged Access to the Fund's Resources.

   (b) The Executive Board shall be informed of the notices given and calls made under the Agreement and the disposition of
the amounts borrowed, in the fortnightly reports to the Executive Board on operations and transactions of the Fund.

4. The Managing Director is authorized to arrange for the issue and delivery on behalf of the Fund of promissory notes in bearer form with coupons (hereinafter called Notes) when, in accordance with the terms and conditions set forth in the Agreement, the Saudi Arabian Monetary Agency requests the Fund to issue and deliver such Notes in exchange for all or part of any outstanding installment of any loan made under the Agreement. This authority shall extend to the issue and delivery of Notes in exchange for or replacement of Notes previously issued, as contemplated by the terms and conditions of such Notes. The Notes to be issued and delivered shall be substantially in the form set out in Annex B to the letter of the Managing Director referred to in paragraph 2 above, and shall contain the terms and conditions set forth in such Annex, as amended from time to time. Such Notes shall be signed in the name of the Fund either manually by or with the facsimile signature of the Managing Director and the Treasurer and, if facsimile signatures are used, shall be countersigned manually by an officer or other authorized representative of the Fund designated by the Managing Director. The coupons attached to the Notes shall bear the manual or facsimile signature of an officer or other authorized representative of the Fund designated by the Managing Director.

5. The Managing Director is authorized to designate financial institutions as paying agents under the Notes and to designate agents for service of process, as contemplated in the form of the Bearer Notes set out in Annex B to the letter of the Managing Director referred to in paragraph 2 above, and to agree with each such agent upon the terms of its services and any remuneration therefor.

Decision No. 6843-(81/75)
May 6, 1981
Letter from the Managing Director of the Fund to the
Governor of the Saudi Arabian Monetary Agency

May 7, 1981

Your Excellency:

I refer to the recent decision of the Executive Board of the International Monetary Fund (hereinafter called the Fund) providing for enlarged access by members to the resources of the Fund. Pursuant to Article VII of the Articles of Agreement of the Fund (hereinafter called the Articles) and Executive Board Decision No. 6843-(81/75), adopted May 6, 1981, I have been authorized to propose on behalf of the Fund that the Saudi Arabian Monetary Agency (hereinafter called SAMA) agree to assist in the financing of such enlarged access, by lending resources to the Fund in accordance with the arrangements set forth below.

1. (a) SAMA will stand committed to make loans to the Fund under this Agreement in a maximum aggregate amount which shall be limited to the equivalent of SDR 4 billion in the first year after the entry into force of this Agreement, and shall increase at the beginning of the second year by SDR 4 billion to a cumulative total equivalent to SDR 8 billion. The commitment shall be effective for a period of six years (hereinafter called the commitment period) from the entry into force of this Agreement.

(b) Before the end of the eighteenth month following the entry into force of this Agreement, SAMA and the Fund shall review the overall commitment of SAMA under this Agreement, but this review shall not affect the commitment of SDR 8 billion referred to in (a) above. In connection with the review, the Fund hopes that SAMA will agree at that time to increase its commitment by a further SDR 4 billion with effect from the beginning of the third year of the commitment period.

2. (a) Subject to the ceiling amounts provided in or under paragraph 1 and to (b) and (c) below, the Fund may call upon
SAMA at any time during the commitment period to make loans under this Agreement, provided that the aggregate amount of loans made in any one of the six years of such period shall not exceed the equivalent of SDR 4 billion.

(b) During the first year of the commitment period the Fund shall call for loans in an aggregate amount equivalent to at least SDR 1 billion.

(c) Unless otherwise agreed between SAMA and the Fund, the Fund shall give SAMA at least 90 days’ notice of its intention to make a call hereunder and of the amount which it intends to call; provided that during the first 90 days following the date of this Agreement the Fund may make calls in an aggregate amount not exceeding SDR 500 million after giving SAMA as much advance notice of each call as is reasonably practicable in the circumstances.

(d) Prior to the beginning of each year of the commitment period the Fund shall provide SAMA with its best estimates of the minimum and maximum amounts which it expects to call during the year, and shall provide revised estimates periodically during the year.

3. (a) SAMA shall make each loan hereunder by transferring to the account of the Fund with SAMA the equivalent in Saudi riyals of the loan amount called for by the Fund, on the value date specified by the Fund in its call. In addition to Saudi Arabia’s obligations under the Articles regarding the exchange of its currency, SAMA agrees that, on request, it shall exchange riyals provided hereunder for U.S. dollars to the extent required for investment pending use of the borrowed funds in transactions of the Fund.

(b) Transfers and exchanges under (a) above shall be at equal value exchange rates determined pursuant to Article XIX, Section 7(a) and the Rules and Regulations of the Fund thereunder for the value dates specified pursuant to (a) above.
(c) No charge or commission shall be imposed by SAMA with respect to any transfer or exchange of currency made pursuant to this Agreement.

4. (a) Interest on each loan shall be computed on the basis of successive interest periods, with the first interest period commencing on the day following the date the loan is made and ending on the first interest payment date under the loan, and each subsequent period commencing on the day following an interest payment date and ending on the next such date. During each interest period, interest shall accrue daily on the outstanding amount of the loan at the Combined Market Interest Rate per annum computed by the Fund for that period in the manner set forth in Annex A to this Agreement. Following each computation the Fund shall promptly communicate the rate to SAMA.

(b) Interest accrued on the outstanding amount of each loan shall be payable by the Fund semi-annually, on interest payment dates falling at successive intervals of six calendar months from the date the loan is made; except that (i) whenever a six-monthly date does not fall on a banking day, the interest payment date shall be the banking day immediately preceding that six-monthly date, and (ii) the final interest payment date for the loan shall be the date the loan is repaid in full as provided in this Agreement. For purposes of this Agreement, the term “banking day” means a day on which banks are open for business in the place where payment is to be made.

5. Except as otherwise provided in this Agreement, each loan shall be repaid by the Fund in four equal annual installments on the fourth, fifth, sixth, and seventh anniversaries respectively of the date the loan is made, except that when an anniversary does not fall on a banking day, payment shall fall due and be made on the banking day immediately preceding such anniversary.

6. (a) Payments of principal of and interest on each loan may be made in Saudi riyals, in any freely usable currency or in special drawing rights, or in any combination of these means of
payment, as may be agreed between SAMA and the Fund; provided that, failing agreement, payments shall be made, at the option of the Fund, in Saudi riyals or U.S. dollars. For purposes of this Agreement, a freely usable currency means a currency which the Fund has determined to be freely usable pursuant to Article XXX (f) of the Articles.

(b) Payments in Saudi riyals shall be made by debiting the account of the Fund with SAMA. Payments in any other currency shall be made by transfer to an account in that currency designated by SAMA with a bank in the country issuing the currency selected for payment, or in such other manner as may be agreed between SAMA and the Fund. Payments in special drawing rights shall be made by crediting the holdings account of Saudi Arabia in the Special Drawing Rights Department of the Fund.

7. The Fund shall issue to SAMA at its request a non-negotiable certificate in respect of each outstanding loan, evidencing the principal amount that the Fund is committed to repay under this Agreement. As soon as practicable after amounts of the loan are repaid, transferred or exchanged for Notes pursuant to this Agreement, SAMA shall surrender the certificate for cancellation and the Fund shall issue a new certificate evidencing the balance of the loan amount, if any, remaining outstanding.

8. (a) All amounts under this Agreement, including the principal amount of each loan, shall be expressed in terms of the special drawing right. For purposes of payments by the Fund of the principal of and interest on each loan in currency, the value of a special drawing right in terms of the currency of payment shall be that determined by the Fund pursuant to Article XIX, Section 7 (a) of the Articles for a date three business days of the Fund before such payment is to be made, or, if no such value has been determined for that date prior to the time payment is to be made, the value as of the last preceding date for which a determination has been made by the Fund.
(b) If the Fund should decide to change the method of
valuation of the special drawing right, SAMA may at its option
require that the method of valuation in effect immediately prior
to such change continue to apply to any or all loans made here-
under which are outstanding at the date the change becomes
effective, other than loans outstanding at the date of a previous
change in respect of which SAMA has already exercised its option
under this subparagraph (b). The option of SAMA hereunder
shall be exercised by notice to the Fund within 30 days after the
adoption of the Fund's decision, but not later than 14 days after
the date the change becomes effective.

(c) If SAMA shall have exercised its option under (b) above,
(i) the Fund shall be entitled, at any time thereafter, to repay any
or all loans with respect to which the option has been exercised,
upon giving at least 14 days' notice to SAMA of its intention to
make such repayment, and (ii) SAMA's right to request Notes
pursuant to paragraph 15 of this Agreement shall terminate with
respect to all such loans.

9. (a) The Fund may, at its option, repay in advance of matur-
ity any loan or installment thereof on any interest payment date
applicable to such loan, provided that it has given SAMA at least
60 days' notice of its intention to make such repayment.

(b) By agreement between SAMA and the Fund, any loan
or installment thereof may be repaid by the Fund at any time in
advance of maturity.

10. (a) SAMA may at any time represent to the Fund that in
view of the balance of payments and reserve position of Saudi
Arabia there is a need for repayment in advance of maturity of all
or a specified part of the loan amounts outstanding under this
Agreement, and may request the Fund to make such repayment.
Whether or not such a request has been made, SAMA may at any
time represent to the Fund that the balance of payments and re-
serve position of Saudi Arabia does not justify the making of
further calls under paragraph 2 and may request the Fund to suspend such calls.

(b) If it determines that the balance of payments and reserve position of Saudi Arabia gives rise to a need for repayment as requested by SAMA or justifies the suspension of calls, as the case may be, the Fund shall repay or suspend further calls as requested. In making its determination, and in any subsequent determination of whether improvements in the position of Saudi Arabia justify the resumption of calls after a period of suspension, the Fund shall give the overwhelming benefit of any doubt to the representation of SAMA in the matter.

(c) Promptly after making a determination under (b) above that there is a need for repayment, the Fund shall repay to SAMA a portion of the total outstanding loans equivalent to SDR 4 billion or the full amount of such outstanding loans, whichever is less, with the repayment being applied to such loans in the reverse order of maturity. Within 12 months after such determination the Fund shall repay any balance of such loans still outstanding.

11. (a) If Saudi Arabia withdraws from the Fund, the right of the Fund to make further calls under paragraph 2 shall terminate. Loans outstanding at the date of such withdrawal shall be repaid by the Fund in quarterly installments each equivalent to SDR 2 billion or the full amount of outstanding loans, whichever is less, with the first payment being made within seven days after the withdrawal and with each installment being applied to outstanding loans in the reverse order of maturity. In all other respects the provisions of this Agreement shall continue in effect except paragraphs 10 and 14, which shall cease to apply.

(b) In the event of liquidation of the Fund, the right of the Fund to make further calls under paragraph 2 and the right of SAMA to transfer loan claims under paragraph 14 and to request Notes under paragraph 15 shall terminate. All loans outstanding at the date of liquidation shall become immediately due and
payable as liabilities of the Fund under the provisions of the Articles pertaining to such liquidation, and shall be paid as provided in paragraph 6.

12. (a) The Fund covenants that, so long as any loan made hereunder shall be outstanding, the Fund will not cause or permit to be created on any of the property or assets held by the Fund on its own account any mortgage, pledge, lien or charge as security for any notes or bonds issued or other indebtedness heretofore or hereafter incurred by the Fund through borrowing for its own account (other than mortgages, pledges, liens or charges on property, not including monetary assets, purchased by the Fund securing all or part of the purchase price thereof) unless the loans made hereunder shall be equally and ratably secured by such mortgage, pledge, lien or charge. In addition, the Fund agrees that loan claims under this Agreement shall rank pari passu in respect of priority of payment with the highest ranking debt incurred by the Fund through borrowing for its own account.

(b) A default under any security arrangement agreed between the Fund and any lender after the date of this Agreement shall be deemed to constitute a default under this Agreement to the same extent as if the security arrangement were incorporated herein for the benefit of SAMA. For purposes of this subparagraph (b), the term “security arrangement” shall include affirmative and negative covenants, events of default or conditions of mandatory prepayment and all similar undertakings for the benefit of creditors, but shall not include financial terms such as interest rates, spreads or margins, commissions or fees or maturity schedules.

(c) If the Fund enters into a borrowing arrangement with any lender that is a Member of the Fund or the central bank of a Member which (i) is on financial terms that can reasonably be considered by either SAMA or the Fund to be more favorable to the lender than those provided herein and is entered into during the period of two years following the entry into force of this Agreement, or (ii) contains provisions under which the Fund
waives its immunity from judicial process with respect to the settlement of disputes, SAMA and the Fund shall at the request of SAMA consult with a view to reaching agreement on an amendment to this Agreement under which comparable financial terms or a comparable waiver of immunity are applied to loans by SAMA hereunder, and, to the extent appropriate to any Notes that may subsequently be delivered to SAMA in exchange for such loans. In addition, if at any time while any loan made hereunder remains outstanding the Fund accords to any holder of its notes, bonds, or similar obligations a waiver of immunity more extensive in scope than the waiver contained in the form of Note attached as Annex B, SAMA and the Fund shall at the request of SAMA consult with a view to reach an agreement on an amendment to this Agreement that will accord a waiver of comparable scope in respect of any Notes that may subsequently be delivered to SAMA hereunder. If no such agreement on an amendment has been reached within 30 days from the date of SAMA’s request, the matter shall be settled by arbitration in accordance with paragraph 18.

13. If the Fund should default in payment of the principal of or interest on, or in the performance of any of its other obligations relating to, any loan made or any Note issued hereunder, or in the payment of the principal of or interest on any other indebtedness incurred by the Fund for its own account under arrangements entered into after March 31, 1981, and such default shall have continued for a period of 90 days, or if in any material respect the representation contained in Annex C is not carried out or the opinions and conclusions of the Director of the Legal Department of the Fund contained in Annex D prove to be incorrect, SAMA may by notice to the Fund terminate the Fund’s rights to make further calls hereunder and declare the principal amount of all outstanding loans due and payable, together with accrued interest thereon, and on the thirtieth day after such notice is delivered to the Fund such amounts shall become due and payable, unless prior to that time the default shall have been remedied.
14. (a) SAMA may at any time transfer its claims on the Fund under this Agreement with respect to any outstanding loan or installment thereof to any Member of the Fund, or to any central bank or other agency of a Member that has been designated as the Member's agency for dealing with the Fund for purposes of Article V, Section 1 of the Articles, or to any other entity prescribed by the Fund as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(b) A transfer shall become effective on the date agreed between SAMA and the transferee. SAMA shall promptly give notice to the Fund of the transfer, the name of the transferee, the loan or installment thereof which is the subject of the transfer and the date of the transfer. On receipt of such notice the Fund shall record the transfer in its books and all amounts of principal and interest subsequently payable by the Fund in respect of the loan or installment shall be paid to the transferee.

(c) On the effective date of the transfer the rights of SAMA provided in this Agreement with respect to the loan or installment which is the subject of the transfer, including without limitation the right of transfer provided in this paragraph, the right to request Notes pursuant to paragraph 15, and the right of arbitration provided in paragraph 18, shall for all purposes vest in the transferee; except that (i) if the transferee is a Member of the Fund or the central bank or other agency of a Member, references in this Agreement to Saudi riyals and to Saudi Arabia shall be deemed to refer to the currency of the transferee and to the relevant Member respectively; (ii) if the transferee is not a Member of the Fund or the central bank or other agency of a Member, references to Saudi riyals shall be deemed to refer to any freely usable currency, and references to Saudi Arabia shall not apply; and (iii) the right to request repayment pursuant to paragraph 10 shall be exercisable by the transferee only if it is a Member, or the central bank or other agency of a Member, that at the time of the transfer is in a net creditor position in the Fund, and in the opinion of the Fund the
Member's currency could be used in net sales in the Fund's currency budgets for the foreseeable future.

(d) Notwithstanding the foregoing provisions of this paragraph, no transfer shall relate to any loan or installment in respect of which a request has already been made to the Fund pursuant to paragraph 15 for the issue of Notes.

15. (a) SAMA may at any time request the Fund to deliver promissory notes in bearer form (hereinafter called Notes) in exchange for all or part of any outstanding installment of any loan made hereunder, except a loan in respect of which SAMA has exercised the option specified in paragraph 8. Within 30 days after receiving such request the Fund shall deliver such Notes to SAMA, without charge. The Notes shall be in denominations of SDR 1 million, 5 million or any integral multiple of 5 million as specified by SAMA in its request, provided that in no circumstances shall the aggregate principal amount of such Notes exceed the outstanding amount of the installment in exchange for which they are issued.

(b) Unless otherwise agreed between SAMA and the Fund, Notes shall be in the form attached hereto as Annex B, as amended pursuant to paragraph 12(c) up to the date of delivery of such Notes, and shall contain the terms and conditions set forth in such Annex. Within 30 days after the entry into force of this Agreement, the Fund shall designate one or more financial institutions acceptable to SAMA as paying agents under the Notes, and shall designate agents for service as contemplated in the Notes.

(c) Each Note delivered to SAMA shall be dated as of the date the loan to which it relates was made or the date interest on such loan was last paid by the Fund, whichever is the later, and shall have a maturity date corresponding to that of the loan installment in exchange for which it is issued, such maturity date being fixed to fall on a banking day in New York. Interest coupons shall be attached for each interest payment date
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applicable to such installment after the date of the Note, up to and including the maturity date. Each Note shall be duly authorized by, and duly executed by or on behalf of, the Fund and shall constitute a valid obligation of the Fund in accordance with its terms.

(d) Delivery of each Note shall be effected in such manner as shall be agreed between SAMA and the Fund. Such delivery shall be deemed to discharge the obligations of the Fund under this Agreement with respect to an amount of the relevant loan installment corresponding to the principal amount of the Note and with respect to all interest accrued on such amount and not previously paid.

(e) If within 30 days after receipt of SAMA's request the Fund has not complied with its obligation hereunder to deliver a Note duly requested by SAMA, in the principal amount requested, then with effect from the thirtieth day after such request the rights and obligations of SAMA and the Fund with respect to that amount shall be those set forth in the form of Note attached as Annex B (including paragraph 11 thereof) and not those set forth in this Agreement, except that the Fund shall not be relieved of its obligation under this Agreement to deliver the Note as requested.

(f) Notwithstanding the foregoing, the Fund shall not be obliged to deliver Notes hereunder during the period of ten days preceding any interest payment date under the loans in full or partial exchange for which such Notes are to be issued.

16. (a) With respect to any Notes delivered to SAMA hereunder that SAMA has not transferred to any other holder but has retained for its own account, and notwithstanding the terms and conditions contained in such Notes,

(i) if SAMA so requests at least 45 days before payment of principal or interest falls due under any such Notes (the serial numbers and denominations of which shall be specified by SAMA in its request), the Fund shall
arrange to make such payment to SAMA when it falls due in one of the currencies, other than U.S. dollars, used in valuing the special drawing right, that the Fund shall select. Payment shall be made, as provided in paragraph 6, against surrender of the Notes or coupons as the case may be at the principal office of the Fund; and

(ii) if the form of Note attached as Annex B is amended pursuant to paragraph 12(c) of this Agreement, the Fund shall at the request of SAMA made within 14 days after the amendment becomes effective exchange the Notes retained by SAMA for new Notes that shall incorporate the terms and conditions as so amended. The provisions of paragraph 15 of this Agreement shall apply mutatis mutandis to any such exchange.

(b) This paragraph shall continue in full force and effect, notwithstanding that all loans made under this Agreement have been repaid or exchanged for Notes, for as long as any Notes delivered pursuant to this Agreement shall remain outstanding.

17. The Fund confirms that, in entering into this Agreement and making loans hereunder, SAMA may rely on the representations contained in the document attached hereto as Annex C and on the opinions and conclusions contained in the document attached hereto as Annex D.

18. (a) Any question arising between SAMA and the Fund concerning their respective rights or obligations under this Agreement that does not relate to the interpretation of the provisions of the Articles and that cannot be settled by agreement shall be submitted to arbitration by a tribunal of three arbitrators. One arbitrator shall be appointed by SAMA, another by the Fund, and the third, who shall serve as umpire, by the President of the International Court of Justice, unless SAMA and the Fund otherwise agree. The umpire shall have full power to settle all questions of procedure in any case where the parties are
in disagreement with respect thereto. The determination of the tribunal on the question shall be conclusive and binding on SAMA and the Fund and shall be promptly implemented in accordance with its terms. Any such determination that the Fund has defaulted in the performance of its obligations under this Agreement shall likewise be conclusive as to any termination or acceleration pursuant to paragraph 13 based on such default.

(b) SAMA and the Fund each undertakes to facilitate the expeditious commencement and conclusion of any arbitration proceedings requested by the other in accordance with this paragraph, and to use its best efforts to ensure that any such proceedings are concluded within six months, at the latest, from the date of such request.

If the foregoing proposal is acceptable to SAMA, this communication and your reply shall constitute an Agreement between SAMA and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

/s/

J. DE LAROSIERE
Managing Director

His Excellency
Sheikh Abdul Aziz Al-Quraishi
Governor, Saudi Arabian Monetary Agency
Riyadh, Saudi Arabia

ANNEX A

Computation of Interest Rate

1. For purposes of computing interest payable on each loan made under the Agreement (i) "interest computation date," in relation to the first interest period under a loan, means a date 3 business days of the Fund before the date the loan is made, and in relation to subsequent interest periods means a date 3
business days of the Fund before the interest payment date immediately preceding the commencement of such period, (ii) "reporting agency" means an agency which serves as the reporting agency for a currency used in making an interest computation, as provided in paragraph 3 below, and (iii) a "reported yield," in relation to a currency, means the yield applicable to that currency as provided in paragraph 3 below for the interest computation date or, if no such yield is available for that date, the yield for the next preceding day for which such yield is available, as reported to the Fund by the relevant reporting agency.

2. Except as provided in paragraph 4 below, the Combined Market Interest Rate shall be computed on the basis of the component currencies and the number of units of each such currency used by the Fund on the interest computation date in valuing the special drawing right pursuant to Article XIX, Section 7(a) of the Articles. The computation shall be made by multiplying the reported yield for each component currency on that date by the number of units of that currency used by the Fund in its valuation of the special drawing right, and by then multiplying the product by the value of such currency unit in terms of the special drawing right on that date. The resulting products for all component currencies, rounded to the nearest four decimal places, shall be added together, and the total, rounded up to the nearest one-sixteenth of one per cent, shall be the Combined Market Interest Rate to be applied during the ensuing interest period.

3. (a) The Fund, after consultation with SAMA, shall arrange for the central bank or other appropriate official agency in each country whose currency is a component currency in the valuation of the special drawing right to serve as the reporting agency hereunder and to report to the Fund the yield applicable to that currency as provided in (b) and (c) below, as needed for each interest computation. Initially the Fund has arranged for the following institutions to serve as reporting agencies for the currencies indicated:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Reporting Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>French franc</td>
<td>Caisse des Dépôts et Consignations</td>
</tr>
<tr>
<td>deutsche mark</td>
<td>Deutsche Bundesbank</td>
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</tr>
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<td>pound sterling</td>
<td>Bank of England</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>Department of the Treasury</td>
</tr>
</tbody>
</table>

(b) The reported yield applicable to each currency shall be the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency on the basis set out below:

(i) for the French franc, the yield to maturity on a representative
sample of securities of major French public sector enterprises with an average remaining life in the range of four and a half to five and a half years, based on market prices and weighted by the volume of transactions in the securities during the previous week, as calculated by the Caisse des Dépôts et Consignations using the same method as it uses for the yield it publishes weekly;

(ii) for the deutsche mark, the yield to maturity on notes and bonds of the Federal Republic, Railways and Post Office with a remaining period to maturity of five years as calculated by the Deutsche Bundesbank on the basis published in the Statistical Supplement (Series 2, Table 8D) to the Bundesbank's Monthly Report.

(iii) for the Japanese yen, the yield to maturity of that ten-year Japanese Government bond with a remaining period to maturity closest to five years, based on the closing market price officially published by the Tokyo Stock Exchange;

(iv) for the pound sterling, the calculated redemption yield on British Government securities, determined for a constant maturity of five years, as calculated by the Bank of England on the basis published in its Quarterly Bulletin;

(v) for the U.S. dollar, the yield to maturity on actively traded U.S. Government securities, determined for a constant maturity of five years, as calculated by the U.S. Treasury and presently published each week by the Federal Reserve Board in Statistical Release H.15; and

(vi) for any other currency, the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency, on representative issues of government securities with an average remaining period to maturity of five years, or, if such securities are not available, then on the closest substitute thereto selected by such reporting agency after consultation with the Fund and SAMA.

(c) If a reporting agency notifies the Fund that the yield described in (b) applicable to its currency can no longer be reported to the Fund, or that some material change has occurred making that yield no longer appropriate for the purpose of interest computations hereunder, SAMA and the Fund in consultation with the reporting agency shall seek to reach agreement on a substitute yield. Failing such agreement the yield shall be that which the reporting agency determines to be the most appropriate substitute for the purpose, having regard to the criteria specified in subparagraph (b) (vi) above.

4. Notwithstanding the foregoing, if the Fund should decide to change the method of valuation of the special drawing right, a new Combined Market
Interest Rate shall be computed as of a date 3 business days of the Fund before the change becomes effective, but on the basis of the currencies and the units of each currency used by the Fund under the new method of valuation, and interest shall accrue at the previous Rate until the effective date of the change and at the new Rate from and including such effective date until the commencement of the next interest period after such effective date; provided that if SAMA has exercised its option under paragraph 8 of the Agreement, all interest computations thereafter on loans in respect of which such option has been exercised shall be made on the basis of the currencies and the units of each currency used by the Fund in its valuation immediately prior to the effective date of the change leading to the exercise of the option.

ANNEX B

FORM OF BEARER NOTE WITH COUPONS

SDR ____________ No. ______

INTERNATIONAL MONETARY FUND
700 19th Street, N.W., Washington, D.C. 20431

Floating Rate Coupon Bearer Note, Due ____________, 19____

INTERNATIONAL MONETARY FUND (hereinafter called the Fund), for value received, hereby promises to pay to the bearer hereof, on presentation and surrender of this Note at any of the paying agencies of the Fund designated below, a principal sum in United States dollars equivalent to ____________ SDR on ____________, 19____ or such earlier repayment date as may be established pursuant to the provisions hereof, and to pay interest on the said principal sum in United States dollars, but only upon presentation and surrender at a designated paying agency of the interest coupons hereto attached as they severally become due. Interest on the principal sum shall accrue during the interest periods and at the rate for each such period hereinafter described, and shall be payable on the interest payment dates specified below.

The first interest payment date shall be ____________, 19____. Interest payment dates thereafter shall be each _______ and ____________ in each year, except that (i) if any such date does not fall on a day on which banks are open for business in New York (hereinafter called a banking day) the interest payment date shall be the banking day immediately preceding such
BORROWING

date, and (ii) the last interest payment date shall be the date payment of the
principal sum is made or duly provided for.

The Fund has appointed as paying agents of the Fund [ ] at its
principal office in Frankfurt, [ ] at its principal office in
London, [ ] at its principal office in New York City,
[ ] at its principal office in Paris, and [ ]
at its principal office in Tokyo.* The Fund reserves the right to appoint other
paying agents and to terminate the appointment of any paying agent,
provided that the Fund shall always maintain paying agencies in Frankfurt,

At the bearer's option and subject to applicable laws and regulations,
payment of the principal of and interest on this Note will be made at any of
the paying agencies outside New York City by check drawn on a bank in New
York City, or at the request of the bearer by transfer to a United States dollar
account maintained by the payee with a bank in New York City.

This Note is one of a series of Bearer Notes of the Fund of several different
issue dates and maturities duly authorized by Decision No. 6843-(81/75),
adopted May 6, 1981, of the Executive Board of the Fund. All such Bearer
Notes (hereinafter called Notes) shall rank pari passu in respect of priority of
payment with the highest ranking debt incurred by the Fund through
borrowing on its own account. Notes are issuable in authorized denominations
of SDR 1 million, 5 million, and integral multiples of 5 million. This Note is
issued subject to the terms and conditions set forth below, without prejudice
to the right of the Fund to issue other Notes containing different terms and
conditions.

1. SDR means the Special Drawing Right of the Fund. For purposes of any
payment hereunder the value of a Special Drawing Right in terms of United
States dollars shall be that determined by the Fund pursuant to Article XIX,
Section 7(a) of its Articles of Agreement for a date three business days of the
Fund prior to the date such payment is to be made, or, if no such value has
been determined for that date prior to the time payment is to be made, the
value as of the last preceding date for which a determination has been made by
the Fund.

2. (a) During each successive interest period until payment of the principal
sum of this Note has been made or duly provided for, interest shall accrue
daily on the principal sum at the Combined Market Interest Rate per annum
computed by the Fund for that period. For purposes of computing interest,
(i) the first interest period shall commence on the day following the date of

*This sentence will be worded in its final form as soon as the arrangements with paying agents
have been completed.
this Note and shall end on the first interest payment date, and each subsequent interest period shall commence on the day following an interest payment date and shall end on the next succeeding interest payment date; (ii) "interest computation date," in relation to the first interest period, means a date three business days of the Fund before the date of this Note, and in relation to subsequent interest periods means a date three business days of the Fund before the interest payment date immediately preceding the commencement of such period; (iii) "reporting agency" means an agency which serves as the reporting agency for a currency used in making an interest computation, as provided in (c) below; and (iv) a "reported yield," in relation to a currency, means the yield applicable to that currency as provided in (c) below for the interest computation date or, if no such yield is available for that date, the yield for the next preceding day for which such yield is available, as reported to the Fund by the relevant reporting agency.

(b) Except as provided in (d) below, the Combined Market Interest Rate shall be computed on the basis of the component currencies and the number of units of each such currency used by the Fund on the interest computation date in valuing the Special Drawing Right pursuant to Article XIX, Section 7(a) of the Articles of Agreement of the Fund. The computation shall be made by multiplying the reported yield for each component currency on that date by the number of units of that currency used by the Fund in its valuation of the Special Drawing Right, and by then multiplying the product by the value of such currency unit in terms of the Special Drawing Right on that date. The resulting products for all component currencies, rounded to the nearest four decimal places, shall be added together, and the total, rounded up to the nearest 1/16th of one per cent, shall be the Combined Market Interest Rate to be applied during the ensuing interest period.

(c) (i) The Fund shall arrange for the central bank or other appropriate official agency in each country whose currency is a component currency in the valuation of the Special Drawing Right to serve as the reporting agency hereunder and to report to the Fund the yield applicable to that currency as provided in (ii) and (iii) below, as needed for each interest computation. Initially the Fund has arranged for the following institutions to serve as reporting agencies for the currencies indicated:

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<td>Bank of England</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>Department of the Treasury</td>
</tr>
</tbody>
</table>

(ii) The reported yield applicable to each currency shall be the gross yield to maturity, computed by the relevant reporting agency according to
established practice in the domestic market of the country of such currency on
the basis set out below: (A) for the French franc, the yield to maturity on a
representative sample of securities of major French public sector enterprises
with an average remaining life in the range of four and a half to five and a half
years, based on market prices and weighted by the volume of transactions in
the securities during the previous week, as calculated by the Caisse des Dépôts
et Consignations using the same method as it uses for the yield it publishes
weekly; (B) for the deutsche mark, the yield to maturity on notes and bonds of
the Federal Republic, Railways and Post Office with a remaining period to
maturity of five years as calculated by the Deutsche Bundesbank on the basis
published in the Statistical Supplement (Series 2, Table 8D) to the
Bundesbank's Monthly Report; (C) for the Japanese yen, the yield to maturity of
that ten-year Japanese Government bond with a remaining period to maturity
closest to five years, based on the closing market price officially published by
the Tokyo Stock Exchange; (D) for the pound sterling, the calculated
redemption yield on British Government securities determined for a constant
maturity of five years, as calculated by the Bank of England on the basis
published in its Quarterly Bulletin; (E) for the U.S. dollar, the yield to maturity
on actively traded U.S. Government securities, determined for a constant
maturity of five years, as calculated by the U.S. Treasury and presently
published each week by the Federal Reserve Board in Statistical Release H.15;
and (F) for any other currency, the gross yield to maturity, computed by the
relevant reporting agency according to established practice in the domestic
market of the country of such currency, on representative issues of government
securities with an average remaining period to maturity of five years or, if such
securities are not available, then on the closest substitute thereto selected by
such reporting agency after consultation with the Fund.

(iii) If a reporting agency notifies the Fund that the yield described
above in (ii) applicable to its currency can no longer be reported to the Fund,
or that some material change has occurred making that reported yield no
longer appropriate for the purpose of interest computations hereunder, the
reporting agency, after consultation with the Fund, shall determine the most
appropriate substitute yield for the purpose, having regard to the criteria
specified in subparagraph (ii) (F) above.

(d) Notwithstanding the foregoing, if the Fund should decide to change
the method of valuation of the Special Drawing Right, a new Combined
Market Interest Rate shall be computed as of a date three business days of the
Fund before the change becomes effective, but on the basis of the currencies
and the units of each currency used by the Fund under the new method of
valuation, and interest shall accrue at the previous Rate until the effective date
of the change and at the new Rate from and including such effective date until
the commencement of the next interest period after such effective date.
(e) The Fund shall give notice of the name of any reporting agency designated pursuant to subparagraph (c) (i) above and not specifically named therein, and of each Combined Market Interest Rate computed hereunder. Each such notice shall be given by publication in the manner specified in paragraph 8, as soon as practicable following the designation or the interest computation as the case may be.

3. The Fund covenants that, so long as payment of the principal sum of any of the Notes has not been made or duly provided for, the Fund will not cause or permit to be created on any of the property or assets held by the Fund on its own account any mortgage, pledge, lien or charge as security for any notes or bonds issued, or other indebtedness heretofore or hereafter incurred, by the Fund through borrowing for its own account (other than mortgages, pledges, liens or charges on property, not including monetary assets, purchased by the Fund securing all or part of the purchase price thereof) unless the Notes shall be equally and ratably secured by such mortgage, pledge, lien or charge.

4. The Fund and any paying agent of the Fund may deem and treat the bearer of any Note and the bearer of any coupon for interest on any Note as the absolute owner thereof for all purposes whatsoever, notwithstanding any notice to the contrary; and all payments to such bearer shall discharge the obligations of the Fund under such Note or such coupon to the extent of such payment.

5. Without charge, Notes may be exchanged upon presentation and surrender thereof at the principal office of the Fund in Washington, D.C., U.S.A., for similar Notes of other authorized denominations bearing the same maturity date and in the same aggregate principal amount. If a Note or coupon is mutilated, destroyed, stolen or lost it may be replaced at the said principal office of the Fund upon payment by the claimant of such expenses and reasonable charges as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Fund may require. Mutilated Notes or coupons must be surrendered before replacements will be issued.

6. Notes which shall be presented or surrendered by the holders thereof, or delivered by or on behalf of the Fund pursuant to the provisions hereof, shall be accompanied by all coupons thereto appertaining which shall not have matured on or before the date of such presentation and surrender, or delivery, as the case may be.

7. The Fund may at its option redeem any or all Notes, on any interest payment date applicable to the Notes to be redeemed. If a redemption is to relate to part only of the total amount of outstanding Notes bearing the same maturity date and having the same terms and conditions, the particular Notes to be redeemed will be selected by lot by the paying agent of the Fund in New
York City. Notice of the Fund's intention to redeem Notes shall be published, in the manner hereinafter specified, at least once a week for three successive weeks, with the first such notice being published not more than 60 days and the last not less than 30 days prior to the date fixed for redemption. Such notice having been given, the Notes to be redeemed shall become due and payable on the designated redemption date and if payment is made or duly provided for on that date shall cease to bear interest thereafter.

8. Notices required for purposes of the Notes shall be published in at least two daily newspapers of general circulation, one in New York City and one in London. As far as practicable, the Fund shall arrange such publication in the Wall Street Journal and the Financial Times.

9. The Notes and the interest thereon will not be exempt from taxation generally. Under the Articles of Agreement of the Fund no taxation of any kind may be levied by a member of the Fund on the Notes and the interest thereon (a) which discriminates against the Notes solely because of their origin or (b) if the sole jurisdictional basis for such taxation is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by the Fund. Also, under its Articles the Fund is immune in member countries from liability for the collection of any tax or duty.

10. If the Fund shall have defaulted at any time after March 31, 1981 in the payment of the principal of or interest on the Notes or any indebtedness evidenced by the Notes, or in the performance of any covenant contained in any of the Notes, or in the payment of principal or interest on any other indebtedness incurred by the Fund for its own account under arrangements entered into after March 31, 1981, and such default shall have continued for a period of 90 days, then at any time thereafter during the continuance of such default the holder of any of the Notes may deliver to the Fund at its principal office in Washington, D.C. written notice that such holder elects to declare the principal of and interest on all Notes held by him (the serial numbers and denominations of which shall be set forth in the notice) to be due and payable, and on the thirtieth day after delivery of such notice the principal amount of such Notes shall become due and payable, unless prior to that time such default shall have been remedied.

11. (a) The Notes and coupons shall be governed by and construed in accordance with the laws of the State of New York, U.S.A. An action against the Fund for failure to pay any amount due under any Note or coupon may be brought in the Federal Courts (or if such Courts lack competence, in State Courts) in the State of New York, the Courts of England, or the ordinary Courts of Justice of the Canton of Geneva, Switzerland, with right of recourse.
in each of these jurisdictions to competent higher courts. The Fund irrevocably agrees to waive its immunity from judicial process and to submit to the jurisdiction of such Courts with respect to such action and with respect to the execution in any member country of the Fund and in Switzerland of a final judgment against the Fund rendered by any of such Courts, and hereby appoints [ ]* in New York City, [ ]* in London, and [ ]* in Geneva as its agent to receive on behalf of the Fund service of writs, copies of the summons and complaint and any other process which may be served in any such action brought in New York, England or Switzerland respectively. Such waiver and submission shall not extend to any action or proceeding other than as specified in this paragraph or in any Courts except those specified in this paragraph.

(b) Notwithstanding any other provision of this Note, any question relating to the interpretation of the provisions of the Articles of Agreement of the Fund shall be conclusively determined by the Fund.

(c) No recourse shall be had for the payment of the principal of or interest on this Note, or for any other claim in respect hereof, against any Governor or Executive Director or Alternate of either, or against any officer or employee, of the Fund.

IN WITNESS WHEREOF, the Fund has caused this Note to be signed in its name with the facsimile signatures of its Managing Director and Treasurer and countersigned with the manual signature of an authorized representative of the Fund.

Dated ______________, 19____.

INTERNATIONAL MONETARY FUND

By __________________________
Managing Director

______________________________
Treasurer

Countersigned: __________________________
Authorized Representative

No action has been taken by or on behalf of the Fund to register this Note or any prospectus relating thereto or otherwise to qualify it for offering or sale under the laws of any jurisdiction.

*These blanks will be filled in as soon as the arrangements with agents for the receipt of process are completed.
BORROWING

FORM OF COUPON

(To be attached to Bearer Notes)

(Coupon Number)

On _______________ or, if this is not a day on which banks are open for business in New York, then on the immediately preceding banking day, the

INTERNATIONAL MONETARY FUND

will pay to bearer an amount of interest then due under the Fund’s Floating Rate Coupon Bearer Note, bearing the serial number and maturity date and in the principal sum specified below, for the interest period of six months more or less ending on such day, unless the Note shall previously have been duly called for redemption, and payment of the principal together with unpaid interest accrued to the date fixed for redemption shall have been made or duly provided for. Payment of the interest will be made in United States dollars upon surrender of this coupon (a) at the principal office of the Fund’s paying agent in New York City; or (b) at the option of the bearer and subject to applicable laws and regulations, at the principal office of the Fund’s paying agent in Frankfurt, London, Paris or Tokyo or at any other paying agent outside New York City appointed by the Fund from time to time, by check drawn on a bank in New York City, or at the request of the bearer by transfer to a United States dollar account maintained by the payee with a bank in New York City.

INTERNATIONAL MONETARY FUND

________________________________________
Authorized Representative

Serial No.: ____________________________
Maturity Date: __________________________
Principal Sum: SDR ____________________
ANNEX C

Letter from the Managing Director of the Fund to the Governor of the Saudi Arabian Monetary Agency

May 6, 1981

His Excellency
Sheikh Abdul Aziz Al-Quraishi
Governor, Saudi Arabian Monetary Agency
Riyadh, Saudi Arabia

Dear Mr. Governor:

In connection with our current negotiations I shall propose to the Executive Board of the Fund in the next few months a policy laying down guidelines on the amounts of outstanding borrowings of the Fund in relation to its assets. This policy initiative would be designed to assure creditors that the Fund's borrowings will be prudently managed by incorporating in the guidelines the principle of a limit on the Fund's total indebtedness expressed as a ratio of its total quotas.

Yours sincerely,

/s/
J. DE LAROSIÈRE
Managing Director

ANNEX D

Memorandum of the Director of the Legal Department of the International Monetary Fund

Borrowing Agreements Between IMF and Its Members

1. Like any other subject of international law, be it a state or an international organization, the Fund is legally bound to perform in good faith the obligations it has assumed under agreements that it has concluded in accordance with its constitutional requirements, and it may not invoke actions or omissions by any of its organs in order to avoid the performance of such obligations. This statement is elaborated below.
2. The Fund is an international, intergovernmental organization, which, in accordance with applicable principles of general international law and express provisions of its Articles of Agreement, possesses full juridical personality and the capacity to contract. With regard to borrowing, the Articles of Agreement specifically provide that the Fund may borrow, on such terms and conditions as may be agreed with the lender, the currencies of members, if it finds it appropriate to replenish its holdings of such currencies.

3. Under the provisions of the Fund’s Articles and decisions of its Board of Governors, the authority and responsibility to enter into borrowing agreements for the replenishment of the Fund’s holdings of currencies lies with the Executive Board. Therefore, a borrowing agreement concluded under or pursuant to the authority of the Executive Board is a legally binding agreement of the Fund.

4. It is a fundamental principle of international, as well as of domestic, law that an agreement in force is binding upon the parties to it and must be performed by them in good faith. All parties to the agreement are entitled to expect that the contractual undertakings under the agreement will be fully carried out in accordance with the terms of the agreement. It has been recognized that this basic rule of law applies with equal force to international organizations.1 Thus, the Fund, having duly concluded an agreement with another party, be it one of its members or another entity, is legally obliged to perform in good faith its undertakings under the agreement.

5. Another basic principle of domestic and international law that flows from the one already referred to is that, once the terms of an agreement have been fixed and the agreement has been brought into force, it is not open to either of the parties to amend, transform, or terminate the agreement unilaterally, i.e., without the consent of the other party. In the case of a party which is a state, this means that the party may not invoke its internal law or decisions of its national authorities or institutions in order to modify or abrogate its obligations under an agreement to which it is a party. In the case of a party which is an international organization, it means that a party to the agreement may not invoke its internal rules and procedures, or the actions or omissions of its organs, in order to change, nullify or evade its obligations under the agreement. This basic principle has been formulated as follows in the codification of the law on the subject of treaties among international organizations, or between them and states, that was prepared by the International Law Commission of the U.N.2

2Ibid.
"An international organization party to a treaty may not invoke the rules of the organization as justification for its failure to perform the treaty, unless performance of the treaty, according to the intention of the parties, is subject to the exercise of the functions and powers of the organization."

The Commission made it clear that "rules of the organization" means, in particular, "the constituent instruments, relevant decisions and resolutions, and established practice of the organization."3 Thus, the Fund would be prevented from varying its contractual commitments under an agreement to which it is a party by relying on decisions taken, or practices developed, after the conclusion of the agreement. Changes in the Fund's law and practice would be taken into account in the interpretation and application of terms of an agreement to which the Fund is a party only to the extent that their applicability was expressly stated in, or implied from, the provisions of the agreement. It is clear therefore that neither the Board of Governors nor the Executive Board of the Fund may change, nullify or evade the obligations of the Fund under bilateral agreements.

6. Questions of interpretation of the provisions of an agreement between the Fund and another party must be resolved in accordance with the rules and procedures prescribed for this purpose by that agreement. The organs of the Fund have no authority to resolve any questions of interpretation of such an agreement even if the other party to the agreement is a member of the Fund. The Executive Board and the Board of Governors have the responsibility to resolve questions of interpretation of the provisions of the Fund's Articles and the resolutions and decisions adopted under them, but that authority does not extend to questions of interpretation of the provisions of contractual arrangements of the Fund. As already explained, interpretations or other decisions adopted by the Board of Governors or the Executive Board would affect the interpretation or application of the provisions of an agreement between the Fund and another party only if this was expressly stated in, or implied by, the provisions of that agreement.

3Ibid.
BORROWING

Letters from the Governor of the Saudi Arabian Monetary Agency to the Managing Director of the Fund

May 7, 1981

Mr. J. de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Sir:

Reference is made to your communication dated May 7, 1981. On behalf of the Saudi Arabian Monetary Agency (SAMA), I wish to state that SAMA hereby agrees to lend to the International Monetary Fund in the amounts and on the terms and conditions stated in your communication.

SAMA further agrees that your communication dated May 7, 1981 and this reply constitute an agreement between SAMA and the Fund, such agreement to take effect on the date you receive this reply.

Very truly yours,

/s/ ABDUL AZIZ AL-QURAISHI
Governor
Saudi Arabian Monetary Agency

May 7, 1981

Mr. J. de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Sir:

In connection with the proposed agreement between the International Monetary Fund and the Saudi Arabian Monetary Agency for borrowing by the Fund of Saudi Arabian riyals from SAMA in accordance with Executive Board Decision No. 6843-(81/75) adopted May 6, 1981, I wish to notify you that, in accordance with Article VII, Section 1 (i) of the Articles of Agreement of the Fund, SAMA, as the fiscal agency of Saudi Arabia, concurs in the
borrowing by the Fund of Saudi Arabian riyals from SAMA up to the total amount that may be borrowed under the terms of the proposed agreement.

Very truly yours,

/l/s/

ABDUL AZIZ AL-QURAISHI
Governor

Saudi Arabian Monetary Agency

POLICY ON ENLARGED ACCESS: BORROWING AGREEMENT WITH THE SAUDI ARABIAN MONETARY AGENCY—CHANGE IN CONVERSION ARRANGEMENTS

The Managing Director is authorized to communicate to the Saudi Arabian Monetary Agency the Fund's willingness to accept deutsche mark, French francs, pounds sterling, U.S. dollars, and Japanese yen when an exchange is required of Saudi Arabian riyals borrowed under the agreement authorized in Decision No. 6843-(81/75), adopted May 6, 1981; provided that the members issuing those currencies concur to the use of their currencies held by the Fund for the purposes of investments resulting from such acceptance of their currencies, and provided further that the Fund's depositories in their territories agree to open and maintain "Borrowed Resources Suspense Accounts—Cash Accounts" for these purposes.

Decision No. 7188-(82/114)
August 20, 1982
BORROWING

POLICY ON ENLARGED ACCESS: BORROWING AGREEMENT WITH THE SAUDI ARABIAN MONETARY AGENCY—SUPPLEMENTARY AGREEMENT*

1. Pursuant to Article VII, Section 1 of the Articles, the Executive Board approves the following agreements and authorizes the Managing Director to take such action as is necessary to conclude and implement them:

   (d) a Supplementary Agreement with the Saudi Arabian Monetary Agency (SAMA), in terms of the draft set out in the Attachment [below], supplementing and amending the Borrowing Agreement with SAMA effective May 7, 1981.

2. With respect to promissory Notes of the Fund that may be requested, pursuant to the provisions of the Borrowing Agreement with SAMA, in exchange for loans from the additional amount of SDR 3 billion specified in the Supplementary Agreement referred to in paragraph 1(d) above, the Managing Director is authorized to designate paying agents and agents for service of process, to arrange for the issue and delivery of such Notes substantially in the form and on the terms and conditions provided in that Agreement and the Supplementary Agreement, and to arrange the issue and delivery of Notes in exchange for or replacement of Notes previously issued. All such Notes and coupons attached thereto shall be executed in the manner prescribed in paragraph 4 of Decision No. 6843-(81/75), adopted May 6, 1981.

Decision No. 7677-(84/64),
April 24, 1984

*The agreement entered into effect on April 30, 1984.

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Letter from the Managing Director of the Fund to the Acting Governor of the Saudi Arabian Monetary Agency

April 24, 1984

Your Excellency:

I refer to the agreement of May 7, 1981 (the Borrowing Agreement) between the Saudi Arabian Monetary Agency (SAMA) and the International Monetary Fund (the Fund), under which SAMA has agreed to make loans to the Fund to assist in the financing of enlarged access by members to the resources of the Fund. Pursuant to Executive Board Decision No. 7677-(84/64), adopted on April 24, 1984, I have been authorized to propose on behalf of the Fund that the Borrowing Agreement be supplemented and amended as follows:

1. The maximum aggregate amount of SAMA's commitment under paragraph 1(a) of the Borrowing Agreement shall be increased by an amount equivalent to SDR 3 billion, to a cumulative total equivalent to SDR 11 billion.

2. Except as provided in this Supplementary Agreement, all the provisions of the Borrowing Agreement, other than those provisions which by their terms have already expired, shall apply to the additional amount and to calls on such amount, loans made in response to such calls (hereinafter called Third Tranche loans), and Notes that may be issued in respect of such loans.

3. (a) The Fund may call on the additional amount only after the amount of SDR 8 billion originally committed under the Borrowing Agreement has been fully called, provided that (a) no call shall be made on the additional amount prior to January 1, 1985 and (b) the aggregate amount of such calls made prior to January 1, 1986 shall not exceed the equivalent of SDR 1.5 billion.

(b) The Fund agrees that, when effecting an exchange pursuant to the last sentence of paragraph 3(a) of the Borrowing Agreement...
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Agreement, SAMA may elect to exchange riyals for freely usable currencies other than U.S. dollars, in accordance with the arrangements set forth in the communication from SAMA to the Fund dated August 12, 1982.

4. (a) Notwithstanding the second sentence of paragraph 4(a) of the Borrowing Agreement and the provisions of Annex A thereto, the interest rate applicable to each Third Tranche loan during each interest period shall, at the option of SAMA, be computed either (i) in the manner set forth in Annex I-A to this Supplementary Agreement, or (ii) in the manner set forth in Annex II-A to this Supplementary Agreement. SAMA shall exercise its option, by notice to the Fund, not later than fifteen days before the date the first Third Tranche loan is to be made. Failing such notice, the computation shall be made as specified in (i) above.

(b) Notwithstanding paragraph 5 of the Borrowing Agreement, each Third Tranche loan shall mature and be repaid in a single installment on the last day of the period of thirty months following the date the loan was made. If this maturity date does not fall on a banking day, the loan shall mature and be repaid on the banking day immediately preceding such date.

(c) The amounts of SDR 4 billion and SDR 2 billion specified in paragraphs 10(c) and 11(a) of the Borrowing Agreement shall be applicable only to outstanding loans other than Third Tranche loans. In the case of Third Tranche loans, (i) the maximum amount of such loans payable by the Fund immediately pursuant to paragraph 10(c) shall be equivalent to SDR 1.5 billion; and (ii) the amount of the quarterly installments payable by the Fund in respect of such loans pursuant to paragraph 11(a) shall be equivalent to SDR 750 million.

5. In the event that SAMA exercises its right to obtain Bearer Notes, pursuant to paragraph 15 of the Borrowing Agreement, in exchange for all or any part of any outstanding Third Tranche loan, the form of such Notes shall be as set forth in Annex B to the Borrowing Agreement, except that (a) the Executive Board
decision referred to in the Notes shall be Decision No. 7677-(84/64); (b) if the method of computing interest on Third Tranche loans is that specified in Annex I-A to this Supplementary Agreement, paragraph 2 of the Notes shall be substantially in the terms set forth in Annex I-B; and (c) if the method of computing such interest is that specified in Annex II-A to this Supplementary Agreement, paragraph 2 of the Notes shall be substantially in the terms set forth in Annex II-B.

6. If during the period of one year following the effective date of this Supplementary Agreement the Fund enters into a borrowing arrangement with any other lender that is a member of the Fund or the central bank of a member on financial terms that can reasonably be considered by either SAMA or the Fund to be more favorable to the lender than those provided herein, SAMA and the Fund shall, at the request of SAMA, consult with a view to reaching an agreement whereby comparable financial terms are applied to Third Tranche loans and, to the extent appropriate, to any Notes that may subsequently be delivered to SAMA in exchange for such loans. If no such agreement has been reached within 30 days from the date of SAMA’s request, the matter shall be settled by arbitration in accordance with paragraph 18 of the Borrowing Agreement.

This communication and its Annexes, and your reply indicating that the foregoing proposal is acceptable to SAMA, shall constitute an agreement between SAMA and the Fund which shall become effective on the date the Fund acknowledges receipt of your reply, and the Borrowing Agreement shall be supplemented and amended accordingly with effect from that date.

Very truly yours,

/s/

His Excellency
Hamad Al-Sayari
Acting Governor
Saudi Arabian Monetary Agency
Riyadh, Saudi Arabia

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ANNEXES

I-A. Computation of Interest Rate on Third Tranche Loans on Basis of Eurocurrency Rates

1. The annual interest rate applicable to the first interest period of each Third Tranche loan shall be computed as of the third business day of the Fund before the date the loan is made, and that applicable to each subsequent interest period shall be computed as of the third business day of the Fund before the interest payment date immediately preceding the commencement of such period. The day as of which the computation is made is hereinafter referred to as the interest computation date.

2. (a) The computation shall be made by the Fund using the interest rates notified to the Fund for this purpose by the Bank of England or the Banque de France as provided in (b) below or otherwise determined as provided in (c) below.

(b) For each currency used by the Fund in valuing the special drawing right on the interest computation date, the Bank of England shall notify the Fund of the interest rate which it determines to be representative of six-month Eurocurrency offered rates in that currency quoted to prime banks in the London interbank market at or about 11:00 a.m., London time, on that date. If the London market is closed on the interest computation date, the determination and notification shall be made by the Banque de France on the basis of corresponding quotations in the Paris interbank market at or about 11:00 a.m., Paris time, on that date, and if both markets are closed on the interest computation date the determination and notification shall be made by the Bank of England on the basis of corresponding quotations in the London interbank market at or about 11:00 a.m., London time, on the last day preceding the interest computation date on which the London market was open, provided that this day is not more than seven days prior to the interest computation date. If on the specified day quotations are not available in the applicable market for a currency used in valuing the special drawing right or, in the opinion of the Bank of England or the Banque de France as the case may be, the available quotations in that currency do not provide a reasonable basis for determining an interest rate to be notified to the Fund, the interest rate for that currency shall be notified by the Bank of England on the basis of quotations on the last preceding day for which it considers a determination can reasonably be made, provided that this day is not more than seven days prior to the interest computation date.

(c) If an interest rate for a currency cannot be notified to the Fund on the basis specified in (b), SAMA and the Fund in consultation with the Bank...
of England shall seek to reach agreement on a substitute rate. In the absence of agreement otherwise within thirty days after the interest computation date, the substitute rate shall be the rate or yield for that currency used by the Fund pursuant to its Rules in computing the interest payable on holdings of special drawing rights for the period that includes the interest computation date.

3. Each interest rate notified or otherwise determined in accordance with paragraph 2 shall be multiplied by the percentage weight of the corresponding currency in the valuation of the special drawing right on the interest computation date, such percentage weight being calculated by using the same amounts and exchange rates for each currency as are used by the Fund when calculating the value of the special drawing right in terms of the U.S. dollar on that date. The resulting products shall be added together and the total, rounded up to the nearest one-eighth of one percent, shall be the interest rate applicable to the interest period for which the computation is made.

4. Notwithstanding the foregoing,

(a) if an interest rate for a Third Tranche loan has been computed using for a currency a substitute rate determined pursuant to paragraph 2(c), and prior to the expiration of the interest period to which that computation relates the Bank of England notifies the Fund of a rate (the “notified rate”) which it has determined to be representative of six-month Eurocurrency offered rates quoted in that currency to prime banks in the London interbank market at or about 11:00 a.m., London time, on a date (the “adjustment date”) subsequent to the interest computation date, the Fund shall compute a new interest rate as of the adjustment date on the same basis in all respects as the previous computation except that the notified rate shall be used for that currency in lieu of the substitute rate, and interest on the loan shall accrue at this new rate from and including the adjustment date until the commencement of the next interest period, or until a further computation is made pursuant to this subparagraph (a);

(b) if the Fund should decide to change the method of valuation of the special drawing right, a new interest rate shall be computed for each Third Tranche loan then outstanding, on the basis of rates notified or otherwise determined in accordance with paragraph 2 for the third business day of the Fund before the change becomes effective and percentage weights calculated using the amounts and exchange rates which would have been used by the Fund in valuing the special drawing right in terms of the U.S. dollar had the change been effective on that day, and the new interest rate shall apply from and including such effective date until the commencement of the next interest period; provided that if SAMA has exercised its option under paragraph 8 of the Agreement, the former interest rate shall continue to apply to Third
Tranche loans in respect of which such option has been exercised until the end of the interest period, and all subsequent interest computations on such loans shall be made on the basis of the method of valuing the special drawing right in terms of the U.S. dollar used by the Fund immediately prior to the effective date of the change.

5. The amount of interest payable in respect of each interest period shall be calculated on the basis of the actual number of days in the period and a 360-day year.

I-B. Text of Paragraph 2 of Bearer Notes if Interest on Third Tranche Loans is Computed in Accordance with Annex I-A

2. (a) During each successive interest period until payment of the principal sum of this Note has been made or duly provided for, interest shall accrue daily on the principal sum at the Combined Market Interest Rate computed by the Fund for that period. For purposes of computing interest: (i) the first interest period shall commence on the day following the date of this Note and shall end on the first interest payment date, and each subsequent interest period shall commence on the day following an interest payment date and shall end on the next succeeding interest payment date; (ii) "interest computation date," in relation to the first interest period means a date three business days of the Fund before the date of this Note, and in relation to subsequent interest periods means a date three business days of the Fund before the interest payment date immediately preceding the commencement of such period; (iii) "reporting agency" means the official agency responsible for determining Reference Rates pursuant to (c) or (d) below, as applicable, such agency being the Bank of England when the determination is made by reference to quotations in the London interbank market and the Banque de France when the determination is made by reference to quotations in the Paris interbank market; and (iv) a "Reference Rate," in relation to a currency, means an interest rate which the responsible reporting agency has determined to be representative of six-month Eurocurrency offered rates in that currency quoted to prime banks in the applicable interbank market at the applicable time, as specified in (c)(i), (c)(ii) or (d) below, and which the reporting agency has reported to the Fund in writing for purposes of an interest computation hereunder.

(b) The Combined Market Interest Rate shall be computed on the basis of the component currencies used by the Fund on the interest computation date in valuing the Special Drawing Right pursuant to the Articles of Agreement of the Fund, and the applicable Reference Rate for each such
currency. The computation shall be made by multiplying each Reference Rate by the percentage weight of the corresponding currency in the valuation of the Special Drawing Right on the interest computation date, such percentage weight being calculated by using the same amounts and exchange rates for each currency as are used by the Fund when calculating the value of the Special Drawing Right in terms of the United States dollar on that date. The resulting products for all component currencies shall be added together and the total, rounded up to the nearest one-eighth of one percent, shall be the Combined Market Interest Rate to be applied during the ensuing interest period.

(c) For each currency used by the Fund in valuing the Special Drawing Right on the interest computation date, the applicable Reference Rate shall be determined in the following manner:

(i) If the London interbank market is open on the interest computation date, the Reference Rate shall be determined by the Bank of England on the basis of the offered rates quoted in that market at or about 11:00 a.m., London time, on that date. If the London market is not open on the interest computation date, the Reference Rate shall be determined by the Banque de France on the basis of the offered rates quoted in the Paris interbank market at or about 11:00 a.m., Paris time, on that date. If neither market is open on the interest computation date, the Reference Rate shall be determined by the Bank of England on the basis of the offered rates quoted in the London interbank market at or about 11:00 a.m., London time, on the last day preceding the interest computation date on which that market was open, provided that this day is not more than seven days prior to the interest computation date.

(ii) Notwithstanding (i) above, if the reporting agency for the applicable market notifies the Fund that the relevant rate quotations are not available in that market on the specified day for a currency used in valuing the Special Drawing Right, or that in the opinion of such agency the available quotations do not provide a reasonable basis for determining a Reference Rate, the Reference Rate for the currency in question shall be determined by the Bank of England on the basis of the offered rates quoted for that currency in the London interbank market at or about 11:00 a.m., London time, on the last preceding day for which the Bank of England considers a determination can reasonably be made, provided that this day is not more than seven days prior to the interest computation date.

(d) If a Reference Rate for any currency has not been determined in accordance with (c) above and reported to the Fund, the Fund for purposes of computing the Combined Market Interest Rate for the applicable interest period shall use as a substitute the interest rate or yield (the "Alternative
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Rate”) for that currency which it has used pursuant to its Rules in computing
the interest payable on holdings of Special Drawing Rights for the period that
includes the interest computation date; provided that if prior to the expiration
of such interest period the Bank of England notifies the Fund of a Reference
Rate which it has determined to be representative of six-month Eurocurrency
offered rates quoted in that currency to prime banks in the London interbank
market at or about 11:00 a.m., London time, on a date (the “Adjustment
Date”) subsequent to the interest computation date, the Fund shall compute a
new Combined Market Interest Rate as of the Adjustment Date, on the same
basis in all respects as the previous computation except that the new Reference
Rate shall be used for that currency in lieu of the Alternative Rate. In this
event, interest shall accrue at the new Combined Market Interest Rate from
and including the Adjustment Date until the commencement of the next
interest period, or until a further computation is made pursuant to this
subparagraph (d).

(e) Notwithstanding the foregoing, if the Fund should decide to change
the method of valuation of the Special Drawing Right, a new Combined
Market Interest Rate shall be computed as of an interest computation date
three business days of the Fund before the change becomes effective, in the
manner specified in (b) and (c) or, when applicable, (d) above except that the
currencies shall be those to be used by the Fund under the new method of
valuation, and the percentage weights shall be calculated using the amounts
and exchange rates which would have been used by the Fund in valuing the
Special Drawing Right in terms of the U.S. dollar had the change been
effective when the computation is made. Interest shall accrue at the previous
Rate until the effective date of the change and at the new Rate from and
including such effective date until the commencement of the next interest
period after such effective date.

(f) The Fund shall give notice of each Combined Market Interest Rate
computed hereunder, by publication in the manner specified in paragraph 8,
as soon as practicable following the interest computation.

(g) The amount of interest payable in respect of each interest period
shall be calculated on the basis of the actual number of days in the period and a
360-day year.

II-A. Computation of Interest on Third Tranche Loans
   on Basis of Official Domestic Rates

1. For purposes of computing interest payable on each Third Tranche loan
   (i) “interest computation date,” in relation to the first interest period under

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the loan, means a date 3 business days of the Fund before the date the loan is made, and in relation to subsequent interest periods means a date 3 business days of the Fund before the interest payment date immediately preceding the commencement of such period, (ii) "reporting agency" means an agency which serves as the reporting agency for a currency used in making an interest computation, as provided in paragraph 3 below, and (iii) a "reported yield," in relation to a currency, means the yield applicable to that currency as provided in paragraph 3 below for the interest computation date or, if no such yield is available for that date, the yield for the next preceding day for which such yield is available, as reported to the Fund by the relevant reporting agency.

2. The Combined Market Interest Rate shall be computed by the Fund on the basis of the component currencies used by the Fund on the interest computation date in valuing the special drawing right pursuant to the Articles of Agreement of the Fund. The computation shall be made by multiplying each reported yield by the percentage weight of the corresponding currency in the valuation of the special drawing right on the interest computation date, such percentage weight being calculated by using the same amounts and exchange rates for each currency as are used by the Fund when calculating the value of the special drawing right in terms of the United States dollar on that date. The resulting products for all component currencies shall be added together and the total, rounded up to the nearest one-eighth of one percent, shall be the Combined Market Interest Rate to be applied during the ensuing period.

3. (a) The Fund, after consultation with SAMA, shall arrange for the central bank or other appropriate official agency in each country whose currency is a component currency in the valuation of the special drawing right to serve as the reporting agency hereunder and to report to the Fund the yield applicable to that currency as provided in (b) and (c) below, as needed for each interest computation. Initially the Fund has arranged for the following institutions to serve as reporting agencies for the currencies indicated:

   French franc  Caisse des Dépôts et Consignations
   deutsche mark  Deutsche Bundesbank
   Japanese yen  Bank of Japan
   pound sterling  Bank of England
   U.S. dollar  Department of the U.S. Treasury

   (b) The reported yield applicable to each currency shall be the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency on the basis set out below:

   (i) for the French franc, the average yield to maturity on a representa-
tive sample of securities of major French public sector enterprises with a remaining life in the range of two to three years, based on market prices for the securities during the previous week, as calculated by the Caisse des Dépôts et Consignations;

(ii) for the deutschemark, the yield to maturity on notes and bonds of the Federal Republic, Railways and Post Office with a remaining period to maturity of two and a half years as calculated by the Deutsche Bundesbank on the basis published in the Statistical Supplement (Series 2, Table 8D) to the Bundesbank's *Monthly Report*;

(iii) for the Japanese yen, the yield to maturity of that ten-year Japanese Government bond with a remaining period to maturity closest to two and a half years, based on the closing market price officially published by the Tokyo Stock Exchange;

(iv) for the pound sterling, the calculated redemption yield on British Government securities, determined for a constant maturity of two and a half years, as calculated by the Bank of England on the basis published in its *Quarterly Bulletin*;

(v) for the U.S. dollar, the average of the yields to maturity on actively traded U.S. Government securities, determined for constant maturities of two years and three years, as calculated by the U.S. Treasury and presently published each week by the Federal Reserve Board in Statistical Release H. 15; and

(vi) for any other currency, the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency, on representative issues of government securities with an average remaining period to maturity of two and a half years, or, if such securities are not available, then on the closest substitute thereto selected by such reporting agency after consultation with the Fund and SAMA.

(c) If a reporting agency notifies the Fund that the yield described in (b) applicable to its currency can no longer be reported to the Fund, or that some material change has occurred making that yield no longer appropriate for the purpose of interest computations hereunder, SAMA and the Fund in consultation with the reporting agency shall seek to reach agreement on a substitute yield. Failing such agreement the yield shall be that which the reporting agency determines to be the most appropriate substitute for the purpose, having regard to the criteria specified in subparagraph (b)(vi) above.

4. Notwithstanding the foregoing, if the Fund should decide to change the method of valuation of the special drawing right, a new Combined Market
Interest Rate shall be computed as of a date 3 business days of the Fund before the change becomes effective, but on the basis of the currencies used by the Fund under the new method of valuation, and percentage weights calculated using the amounts and exchange rates which would have been used by the Fund in valuing the special drawing right in terms of the U.S. dollar had the change been effective on that date, and interest shall accrue at the previous Rate until the effective date of the change and at the new Rate from and including such effective date until the commencement of the next interest period after such effective date; provided that if SAMA has exercised its option under paragraph 8 of the Agreement, the former interest rate shall continue to apply to Third Tranche loans in respect of which the option has been exercised, and all interest computations thereafter on such loans shall be made on the basis of the method of valuing the special drawing right in terms of the United States dollar used by the Fund immediately prior to the effective date of the change leading to the exercise of the option.

II-B. Text of Paragraph 2 of Bearer Notes
if Interest on Third Tranche Loans is Computed in Accordance with Annex II-A

2. (a) During each successive interest period until payment of the principal sum of this Note has been made or duly provided for, interest shall accrue daily on the principal sum at the Combined Market Interest Rate computed by the Fund for that period. For purposes of computing interest, (i) the first interest period shall commence on the day following the date of this Note and shall end on the first interest payment date, and each subsequent interest period shall commence on the day following an interest payment date and shall end on the next succeeding interest payment date; (ii) "interest computation date," in relation to the first interest period means a date three business days of the Fund before the date of this Note, and in relation to subsequent interest periods means a date three business days of the Fund before the interest payment date immediately preceding the commencement of such period, (iii) "reporting agency" means an agency which serves as the reporting agency for a currency used in making an interest computation, as provided in (c) below, and (iv) a "reported yield," in relation to a currency, means the yield applicable to that currency as provided in (c) below for the interest computation date or, if no such yield is available for that date, the yield for the next preceding day for which such yield is available, as reported to the Fund by the relevant reporting agency.
(b) The Combined Market Interest Rate shall be computed on the basis of the component currencies used by the Fund on the interest computation date in valuing the Special Drawing Right pursuant to the Articles of Agreement of the Fund. The computation shall be made by multiplying each reported yield by the percentage weight of the corresponding currency in the valuation of the Special Drawing Right on the interest computation date, such percentage weight being calculated by using the same amounts and exchange rates for each currency as are used by the Fund when calculating the value of the Special Drawing Right in terms of the United States dollar on that date. The resulting products for all component currencies shall be added together and the total, rounded up to the nearest one-eighth of one percent, shall be the Combined Market Interest Rate to be applied during the ensuing interest period.

(c) (i) The Fund shall arrange for the central bank or other appropriate official agency in each country whose currency is a component currency in the valuation of the Special Drawing Right to serve as the reporting agency hereunder and to report to the Fund the yield applicable to that currency as provided in (ii) and (iii) below, as needed for each interest computation. Initially the Fund has arranged for the following institutions to serve as reporting agencies for the currencies indicated:

- French franc: Caisse des Dépôts et Consignations
- deutsche mark: Deutsche Bundesbank
- Japanese yen: Bank of Japan
- pound sterling: Bank of England
- U.S. dollar: Department of the U.S. Treasury

(ii) The reported yield applicable to each currency shall be the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency on the basis set out below: (A) for the French franc, the average yield to maturity on a representative sample of securities of major French public sector enterprises with a remaining life in the range of two to three years, based on market prices for the securities during the previous week, as calculated by the Caisse des Dépôts et Consignations; (B) for the deutsche mark, the yield to maturity on notes and bonds of the Federal Republic, Railways and Post Office with a remaining period to maturity of two and a half years as calculated by the Deutsche Bundesbank on the basis published in the Statistical Supplement (Series 2, Table 8D) to the Bundesbank's Monthly Report; (C) for the Japanese yen, the yield to maturity of that ten-year Japanese Government bond with a remaining period to maturity closest to two and a half years,
based on the closing market price officially published by the Tokyo Stock Exchange; (D) for the pound sterling, the calculated redemption yield on British Government securities, determined for a constant maturity of two and a half years, as calculated by the Bank of England on the basis published in its Quarterly Bulletin; (E) for the U.S. dollar, the average of the yields to maturity on actively traded U.S. Government securities, determined for constant maturities of two years and three years, as calculated by the U.S. Treasury and presently published each week by the Federal Reserve Board in Statistical Release H.15; and (F) for any other currency, the gross yield to maturity, computed by the relevant reporting agency according to established practice in the domestic market of the country of such currency, on representative issues of government securities with an average remaining period to maturity of two and a half years, or, if such securities are not available, then on the closest substitute thereto selected by such reporting agency after consultation with the Fund.

(iii) If a reporting agency notifies the Fund that the yield described above in (ii) applicable to its currency can no longer be reported to the Fund, or that some material change has occurred making that yield no longer appropriate for the purpose of interest computations hereunder, the reporting agency, after consultation with the Fund, shall determine the most appropriate substitute yield for the purpose, having regard to the criteria specified in subparagraph (ii)(F) above.

(d) Notwithstanding the foregoing, if the Fund should decide to change the method of valuation of the Special Drawing Right, a new Combined Market Interest Rate shall be computed as of an interest computation date three business days of the Fund before the change becomes effective, in the manner specified in (b) and (c) above except that the currencies shall be those to be used by the Fund under the new method of valuation, and the percentage weights shall be calculated using the amounts and exchange rates which would have been used by the Fund in valuing the Special Drawing Right in terms of the U.S. dollar had the change been effective when the computation is made. Interest shall accrue at the previous Rate until the effective date of the change and at the new Rate from and including such effective date until the commencement of the next interest period after such effective date.

(e) The Fund shall give notice of the name of any reporting agency designated pursuant to subparagraph (c)(i) above and not specifically named therein, and of each Combined Market Interest Rate computed hereunder. Each such notice shall be given by publication in the manner specified in paragraph 8, as soon as practicable following the designation or interest computation as the case may be.
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POLICY ON ENLARGED ACCESS: BORROWING AGREEMENTS WITH SAUDI ARABIAN MONETARY AGENCY—AMENDMENTS

The Executive Board authorizes the Managing Director to propose to the Saudi Arabian Monetary Agency (SAMA) amendments to the 1981 Borrowing Agreement and the 1984 Supplementary Agreement between SAMA and the Fund, substantially in the terms set forth in the Attachment to EBS/86/250, and expresses its appreciation for the continued cooperation of the Saudi Arabian authorities with the Fund.

Decision No. 8460-(86/189)
December 1, 1986

Attachment to EBS/86/250

Proposed Communication from Fund Amending the Borrowing Agreements with SAMA

1. Reference borrowing agreement of May 7, 1981 and supplementary agreement of April 30, 1984, between the Saudi Arabian Monetary Agency (SAMA) and the International Monetary Fund (the Fund) (henceforth referred to as the 1981 Borrowing Agreement and the 1984 Supplementary Agreement). Pursuant to Executive Board Decision No. 8460-(86/189), adopted December 1, 1986, I have been authorized to propose on behalf of the Fund that the 1981 Borrowing Agreement and the 1984 Supplementary Agreement be amended as follows:

A. The 1981 Borrowing Agreement

1. The period referred to in paragraph 1(A) of the 1981 Borrowing Agreement during which SAMA will stand committed to make loans to the Fund under the 1981 Borrowing Agreement, is extended from May 7, 1987 to November 6, 1987, in respect of amounts that remain undrawn on May 7, 1987, up to a maximum of SDR 500 million.

2. Each loan made under the 1981 Borrowing Agreement...
during the period from May 7, 1987 to November 6, 1987 shall be repaid by the Fund in four equal annual installments on May 6, in each of the years from 1991 to 1994 inclusive, except that if May 6 shall not be a banking day in any of these years, payment shall fall due and be made on the banking day immediately preceding.

B. The 1984 Supplementary Agreement

1. The period referred to in paragraph 1(A) of the 1981 Borrowing Agreement during which SAMA will stand committed to make loans to the Fund under the 1984 Supplementary Agreement (referred to as Third Tranche Loans pursuant to paragraph 2 of the 1984 Supplementary Agreement) is extended from May 7, 1987 to May 6, 1989.

2. Each Third Tranche Loan made under the 1984 Supplementary Agreement during the period May 7, 1987 to May 6, 1989 shall mature and be repaid by the Fund in a single installment on November 6, 1989.

C. General Provision

In all other respects, the provisions of the 1981 Borrowing Agreement and 1984 Supplementary Agreement, other than those provisions which by their terms have already expired, shall continue in effect and shall apply to all amounts drawn during the relevant extended periods.

2. Please confirm by tested telex your acceptance of this proposal. This communication and your reply accepting the foregoing proposal shall constitute an amendment to the 1981 Borrowing Agreement and the 1984 Supplementary Agreement and shall enter into force on the date on which the Fund receives such reply.*

Very truly yours,

J. de Larosière
Managing Director

*Entered into force on December 8, 1986.
Policy on Enlarged Access: Borrowing Agreement with the Bank for International Settlements (BIS)

The Managing Director is hereby authorized to send to the General Manager of the Bank for International Settlements (BIS) a telex communication informing him that, on behalf of the Fund, he accepts the proposal set forth in the Annex to this decision and that the proposal set forth in that Annex shall constitute an agreement between the Fund and the BIS which shall enter into force on the date of the Managing Director’s communication.*

Decision No. 6863-(81/81),
May 13, 1981, as amended by
Decisions Nos. 6870-(81/83),
June 1, 1981, and 6925-(81/112),
August 3, 1981

ANNEX

Proposal Received from the Bank for International Settlements (BIS)

1. The Bank for International Settlements (BIS) is prepared to open a facility, free of commission, fee, or charge, in favour of the International Monetary Fund (Fund) for the equivalent of SDR 600 million for a period of two years commencing 1st June 1981 in accordance with the conditions set out in this telex.

With effect from 3rd August 1981, the amount of this facility is increased to SDR 675 million.

2. Drawings on the facility may be made by the Fund on giving seven business days’ notice (Washington, D.C.) by tested telex. Each drawing shall be for a period of six months and shall,

*The agreement entered into force on June 1, 1981.
subject to similar notice, be renewable at maturity at the request of the Fund for further successive periods of six months provided that no drawing matures any later than two years and six months after the first drawing made by the Fund under this facility. Nevertheless, should the first drawing be made for value later than 31st July 1982 no drawing may mature later than 31st January 1985.

3. Each drawing will be denominated in SDRs but the corresponding payment will be effected by the BIS by transfer of U.S. dollars (Federal Funds) to an account of the Fund at the Federal Reserve Bank of New York, New York.

4. The amount of U.S. dollars to be transferred shall be determined by applying the SDR/U.S. dollar rate established and published by the Fund three business days before the value date.

5. Should the Fund request the BIS to make any payment under this facility in a currency other than the U.S. dollar, the BIS will use its best endeavors to meet the Fund's wishes. In such cases the applicable exchange rate shall be that established by the Fund for that currency against the SDR three business days before the value date.

6. When a drawing is not renewed at maturity, the U.S. dollar counter-value will be credited by the Fund in U.S. dollars to the account "F" of the BIS at the Federal Reserve Bank of New York, New York. The relevant SDR/U.S. dollar conversion rate will be the rate established by the Fund three business days before the maturity date.

7. The interest rate applicable to each drawing or renewal shall be determined on the basis of the interest rates listed in paragraph 8 below as notified by the five central banks concerned for the third business day preceding the value date and on the basis of the weighting then given to the currencies concerned in the composition of the SDR. The exchange rates needed for this calculation shall be supplied by the Fund.
BORROWING

The calculation shall be made by multiplying the interest rate for each component currency by the number of units of that currency used by the Fund in its valuation of the Special Drawing Right, and by then multiplying the product by the value of such currency unit in terms of the Special Drawing Right on that date. The resulting products for all component currencies, rounded to the nearest four decimal places, shall be added together, and the total, rounded up to the nearest one-sixteenth of one per cent, shall be the interest rate to be applied.

8. The rates to be used for interest calculation are those for the following:

—six-month U.S. Treasury Bills,
—six-month interbank deposits in Germany,
—six-month interbank loans against private paper in France,
—average rate for newly issued bank CD’s in Japan with a maturity of between 150 and 180 days,
—six-month interbank deposits in the United Kingdom.

9. Interest will be paid by the Fund in U.S. dollars at maturity of each six-monthly operation in the manner set out in paragraph 6 above.

10. If during the life of a six-monthly operation the composition of the SDR is changed by the Fund, any payments due three business days or more after the effective date of the change will be made on the basis of the new SDR/U.S. dollar rate. Nevertheless, if the BIS so requests within 30 days after the adoption of the relevant decision of the Fund but not later than 14 days after the date the change became effective, and in agreement also with the central banks whose currencies may be concerned, the former SDR/U.S. dollar exchange rate and the interest rate calculated on the basis of the valuation of the SDR before the change, shall be applied to the operation in question. In that case, however, the Fund will have the option of terminating the agreement and repaying all amounts due under the agreement upon giving 14 days’ notice.
11. The Fund agrees that any member central bank of the BIS which is either the central bank of a country belonging to the Fund or a prescribed holder of SDRs may at any time be wholly or partly substituted for the BIS in respect of its debtor and creditor relationships with the Fund under this facility, in particular in respect of any outstanding drawing and of any commitment for future drawings and renewals. The substitution shall become effective vis-à-vis the Fund upon receipt by the Fund of confirmation to the Fund by the transferee, such confirmation to be transmitted through the BIS, that the transferee accepts the substitution.

12. Please confirm that you are in agreement with the above. This telex and your confirmation will constitute a binding agreement between our two institutions.

Policy on Enlarged Access: Borrowing from Central Banks and Other Official Institutions on Terms Similar to Those of the Agreement with the Bank for International Settlements (BIS)

The Fund shall stand ready to enter into an agreement with any member, the central bank or other agency of any member, or any official entity that has been prescribed as a holder of Special Drawing Rights pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement, under which such member, central bank or other entity will accord a credit line in favor of the Fund on terms and conditions that are substantially the same as those of the Agreement with the BIS (Executive Board Decision No. 6863-(81/81), except as those terms and conditions may be adjusted and supplemented by the following provisions.

1. The commitment of the lender under the credit line shall be for a period of not less than two years, provided that it can be for a shorter period if the lender represents that, for legal or other compelling reasons, it cannot accept a commitment period of at least two years and, in the Managing Director's judgment, the
shorter period is consistent with the prudent management of the Fund's liquidity.

2. At the request of the lender, its commitment may be terminated before the end of the commitment period if (i) the lender is a member, the central bank, or another agency of a member; (ii) it represents that its balance of payments and reserve position, or that of the member if the lender is the central bank or other agency of that member, does not justify further drawings under the commitment; and (iii) the Fund, having given the representation the overwhelming benefit of any doubt, determines that no further drawing should be made.

3. The maturity of the drawings under the commitment may be six months, one year, or two years, provided that, if the maturity of such drawings is for six months or one year, the lender will normally be expected to undertake to extend the maturity of the drawings so that resources borrowed shall be available to the Fund for at least two years. Nevertheless, if, in the Managing Director's judgment, shorter periods would be consistent with the prudent management of the Fund's liquidity, the agreement may provide for shorter maturities that would be renewed automatically unless the lender or the Fund gave notice, at least 30 days before maturity, that renewal should not take place.

4. (a) The interest rate applicable to drawings with a maturity of one year shall be determined in accordance with the same rules and procedures as the interest rate for drawings under the Agreement with the BIS, except that the instruments to be used for the calculation of that interest rate shall be, insofar as possible, government instruments of one-year maturity and that interest shall be payable at six months and at maturity.

(b) The interest rate applicable to drawings with a maturity of two years shall be determined in accordance with the same rules and procedures as the interest rate for drawings under the Agreement with the BIS, except that, (i) the instruments to be
used for the calculation of that interest rate shall be those used by the Fund for calculating the interest rate on the Special Drawing Right, with the interest calculated at three-month intervals and payable semi-annually; or (ii) if the Managing Director judges it appropriate in prevailing circumstances, the instruments shall be, insofar as possible, government instruments of two years' maturity, with interest being calculated and payable semi-annually.

5. The commitment of the lender shall be transferable only with the consent of the Fund.

6. Loans may be made in any currency, provided that (i) the concurrence of the issuer of that currency has been given, and (ii) arrangements are agreed under which balances of that currency borrowed by the Fund will be converted at equal value exchange rates into U.S. dollars to the extent required for investment pending use of the borrowed resources in transactions of the Fund. By agreement with the lender, the Fund may make repayment of principal or pay interest in any currency or in SDRs.

7. (a) The lender may obtain repayment of a claim on the Fund before maturity if: (i) the lender is a member, the central bank, or another agency of a member; (ii) the lender represents that its balance of payments and reserve position, or that of the member's if the lender is a central bank or another agency of a member, justifies early repayment; and (iii) the Fund, having given the lender's representation the overwhelming benefit of any doubt, determines that there is such a need for early repayment.

(b) At any other time the Fund may agree with the lender on repayment prior to maturity subject to an adjustment in the interest rate applicable for the period during which the drawing remained outstanding.

8. The lender shall have the right to transfer at any time all or part of its claim on the Fund, which results from drawings outstanding under its commitment that have not less than three
months to maturity from the requested transfer, to any member, the central bank or another agency of any member, or any official entity that has been prescribed as a holder of Special Drawing Rights pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement. A claim transferred shall be subject to the renewal undertakings of the transferor. The transferee shall have all the rights of the lender, except that (i) the right to obtain repayment before maturity pursuant to 7(a) above shall be exercisable by the transferee only if it is a member, or the central bank, or another agency of a member, that at the time of the transfer is in a net creditor position in the Fund and, in the opinion of the Fund, the member's currency could be used in net sales in the Fund's operational budgets for the foreseeable future, and (ii) the right of the Fund to use the currency of the transferor in payment of principal or interest shall, if the transferee is a member, or the central bank, or another agency of a member, be replaced by the right to use the transferee's currency; or, if the transferee is not a member, or the central bank, or another agency of a member, this right shall no longer apply.

9. At the request of the lender, the Fund shall issue to such lender an instrument evidencing its claim on the Fund resulting from drawings outstanding under the lender's commitment. Such an instrument shall not be issued if the lender has requested or has received bearer notes pursuant to 10 below.

10. At the request of the lender made within 10 days from the date of a drawing under the commitment, the Fund shall issue and deliver to such lender, without charge, promissory notes of the Fund in bearer form in exchange for all or part of the lender's claim on the Fund resulting from that drawing, whereupon the claim shall be cancelled pro tanto. The renewal of a drawing shall be deemed to be a new drawing. By agreement between the lender and the Fund, bearer notes may also be issued on an interest payment date in exchange for a claim for the balance of the period of the claim. The issuance of the bearer notes shall be governed by the provisions set forth in Annex A and, unless
otherwise agreed between the lender and the Fund, shall be substantially in the form, and subject to the terms and conditions set forth in Annex B or C.

11. An agreement negotiated pursuant to this Decision shall not become effective before it has been approved by the Executive Board.

Decision No. 6864-(81/81)
May 13, 1981

ANNEX A

Provisions Governing Issuance of Bearer Notes

1. The Notes shall be in denominations of SDR 1 million, 5 million or any integral multiple of 5 million as specified by the lender in its request.

2. Notes issued in exchange for all or part of a claim resulting from a drawing with a maturity of six months or one year shall be substantially in the form and subject to the terms and conditions set forth in Annex B. Notes issued in exchange for all or part of a claim resulting from a drawing with a maturity of two years shall be substantially in the form and subject to the terms and conditions set forth in Annex C. Each Note shall have as its issue date the date of the drawing that gave rise to the claim in exchange for which the Note is issued, and shall carry the same interest rate as that claim. The renewal of a drawing shall be deemed to be a new drawing.

3. Each Note shall have as its maturity date the same maturity date as the claim in exchange for which it is issued, except that, if such date would not fall on a banking day in New York, the banking day in New York immediately preceding that date shall be the maturity date.

4. Each Note shall be executed in the name of the Fund by the manual or facsimile signatures of the Managing Director and the Treasurer and, if facsimile signatures are used, shall be countersigned manually by an officer or other authorized representative of the Fund designated by the Managing Director. Each such Note, when duly executed and delivered, shall constitute a valid and enforceable obligation of the Fund in accordance with its terms.
5. Notes shall be delivered to the lender at the principal office of the Fund, or at such other place as may be agreed between the Fund and the lender.

6. Delivery shall be made on a date specified by the Fund, which, unless otherwise agreed with a lender, shall be not more than 30 days after the date the request for Notes is received by the Fund.

7. For purposes of the Notes, the Fund shall appoint paying agents in Frankfurt, London, New York, Paris and Tokyo, and shall maintain a paying agent in each such city as long as any such Notes remain outstanding.

8. The Fund, by agreement with the holder of any Note, may redeem such note prior to its maturity date at a mutually agreed price, against surrender of the Note.

ANNEX B

FORMS OF A SIX-MONTH OR ONE-YEAR BEARER NOTE

INTERNATIONAL MONETARY FUND

700 19th Street, N.W., Washington, D.C. 20431

No. ____________ Issue Date: ________________
SDR ____________ Maturity Date: ________________

The International Monetary Fund ("the Fund"), for value received, hereby promises to pay to bearer in United States dollars a principal amount equivalent to __________________________ Special Drawing Rights on the maturity date of this Note, together with interest on such principal amount at the rate of ______ per annum from the issue date hereof until the maturity date. [Interest shall be paid in two installments; the first installment on (date), and the second on (maturity date).] For purposes of payment hereunder the value of the United States dollar in terms of the special drawing

1 For the one-year Note, the text would include in the first paragraph the sentence in brackets, the alternative text in the bracket in the second paragraph, the third paragraph in brackets, and the Record of Interest Payment at the end.
right shall be that determined by the Fund in accordance with the Rules and Regulations of the Fund adopted pursuant to its Articles of Agreement for a date three business days of the Fund before the date payment falls due.

Payment of principal and interest shall be made, subject to applicable laws and regulations, on presentation and surrender (on presentation and, at maturity, surrender) of this Note at any of the paying agents specified below by check drawn on a bank in New York City or, in the case of paying agents outside the United States, by transfer to a United States dollar account maintained by the payee with a bank in New York City:

[List paying agents]

[A record of an interest payment endorsed below and initialled by an authorized officer of one of the above paying agents shall be conclusive evidence of the discharge of the obligations of the Fund in respect of the interest payment in question.]

This Note is governed by the laws of the State of New York, U.S.A. An action against the Fund for failure to pay any amount due hereunder may be brought in the Federal Courts (or if such courts lack competence, in State Courts) in the State of New York, with right of recourse to competent higher Courts. The Fund hereby irrevocably waives its immunity from judicial process and submits to the jurisdiction of such Courts with respect to such action and to the execution, in any member country of the Fund, of a final judgment of such Courts, and appoints the Federal Reserve Bank of New York at its principal office in the Borough of Manhattan as agent of the Fund to receive on behalf of the Fund service of copies of the summons and complaint and any other process that may be served in any such action. Such waiver and submission shall not extend to any question relating to the interpretation of the provisions of the Articles of Agreement of the Fund, nor shall it extend to any action or proceedings other than as specified in this paragraph.

INTERNATIONAL MONETARY FUND

By: __________________________________________

Managing Director

_________________________________

Treasurer

Countersigned: __________________________________________

Authorized Representative

This Note is not valid unless manually countersigned by an Authorized Representative of the Fund.

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BORROWING

No action has been taken by or on behalf of the Fund to register this Note or any prospectus relating thereto or otherwise to qualify it for offering or sale under the laws of any jurisdiction.

RECORD OF INTEREST PAYMENT

OF SDR (_______) due

(date) ..............................................................

SDR/US$ rate ............................................... 

US$ amount .................................................

Paid ______________ (date) __________

Signature .........................................................

(Authorized Officer)

ANNEX C

FORM OF TWO-YEAR BEARER NOTE

INTERNATIONAL MONETARY FUND

700 19th Street, N.W., Washington, D.C. 20431

No. ________________ Issue Date: ________________

SDR _______________ Maturity Date: ________________

The International Monetary Fund ("the Fund"), for value received, hereby promises to pay to bearer in United States dollars a principal amount equivalent to __________________________ Special Drawing Rights on the maturity date of this Note, and to pay interest on such principal amount in United States dollars at the rate and on the dates specified on the reverse side hereof from the issue date of this Note until the maturity date. For purposes of each payment hereunder the value of the United States dollar in terms of the Special Drawing Right shall be that determined by the Fund for a date three business days of the Fund before the date payment falls due in accordance with the Rules and Regulations of the Fund adopted pursuant to its Articles of Agreement.

Payments of the principal amount and of interest shall be made, subject to applicable laws and regulations, on presentation (and, at maturity, surrender) of this Note at any of the paying agents specified below by check drawn on a bank in New York City, or, in the case of paying agents outside the United
States, by transfer to a United States dollar account maintained by the payee with a bank in New York City:

[List paying agents]

A record of an interest payment endorsed on the reverse hereof and initialled by an authorized officer of one of the above paying agents shall be conclusive evidence of the discharge of the obligations of the Fund in respect of the interest payment in question.

This Note is governed by the laws of the State of New York, U.S.A. An action against the Fund for failure to pay any amount due hereunder may be brought in the Federal Courts (or if such courts lack competence, in State Courts) in the State of New York, with right of recourse to competent higher Courts. The Fund hereby irrevocably waives its immunity from judicial process and submits to the jurisdiction of such Courts with respect to such action and to the execution, in any member country of the Fund, of a final judgment of such Courts, and appoints the Federal Reserve Bank of New York at its principal office in the Borough of Manhattan, New York City, as agent of the Fund to receive on behalf of the Fund service of copies of the summons and complaint and any other process that may be served in any such action. Such waiver and submission shall not extend to any question relating to the interpretation of the provisions of the Articles of Agreement of the Fund, nor shall it extend to any action or proceedings other than as specified in this paragraph.

INTERNATIONAL MONETARY FUND

By ____________________________

Managing Director

______________________________

Treasurer

Countersigned: ____________________________

Authorized Representative

This Note is not valid unless manually countersigned by an Authorized Representative of the Fund.

[Reverse]

For three months [six months] from the Issue Date of this Note interest shall accrue at ______ per cent per annum. Thereafter, for each successive three-month [six-month] period until the maturity date, interest shall accrue at the rate of interest determined as follows:

Doc. 6854-(81/81)
1. The central banks of the members whose currencies are used for the valuation of the special drawing right shall notify to the Fund the market interest rate or yield in their respective market for a date three business days of the Fund prior to the last day of the three-month period, or if that day is not a business day, for the preceding business day, on the instrument chosen by the Fund, in consultation with the central bank, as representative for a three-month maturity in that market for the purpose of determining the interest rate on the special drawing right.

[Alternative formulation using governmental instruments with two years to maturity]

2. Using these rates and yields as notified by these central banks the Fund will calculate the rate of interest for the next three-month period as follows:

   The yield or rate for each instrument on that date will be multiplied by the number of units of that currency, used by the Fund in its valuation of the special drawing right, and by then multiplying the product by the value of such currency unit in terms of the special drawing right on that date. The resulting product for each such currency, rounded to the nearest four decimal places, shall be added together, and the total, rounded up to the nearest 1/16th of one per cent, shall be the interest rate to be applied during the ensuing interest period.

Such interest shall be paid on interest payment dates falling at successive intervals of six months from the issue date of Note, as shown in the Interest Payment Schedule set forth below, with the last interest payment date being the maturity date of this Note. If an interest payment date should fall on a day that is not a banking day in New York City, the interest due on such interest payment date shall be paid on the banking day in New York City immediately preceding such interest payment date.

INTEREST PAYMENT SCHEDULE
(To be added)

POLICY ON ENLARGED ACCESS: BORROWING AGREEMENT WITH THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS), JAPAN AND THE NATIONAL BANK OF BELGIUM

1. Pursuant to Article VII, Section 1 of the Articles, the Executive Board approves the following agreements* and autho-

* The agreements entered into effect on April 30, 1984.
rizes the Managing Director to take such action as is necessary to conclude and implement them:

(a) an agreement for borrowing from the Bank for International Settlements, in terms of the offer from the Bank set out in the Attachment [below];

(b) an agreement for borrowing from the Government of Japan, in terms of the draft set out in Attachment [below];

(c) an agreement for borrowing from the National Bank of Belgium, in terms of the draft set out in Attachment [below].

Attachment

Bank for International Settlements:
Stand-By Facility in Favor of the IMF

1. The Bank for International Settlements ("the BIS") offers, with effect from the date of acceptance referred to in clause 13, to open a stand-by facility in favor of the International Monetary Fund ("the Fund") for an amount equivalent to SDR 2,505 million on the terms and conditions set forth below ("the facility").

2. A stand-by commission of 1/4 per cent shall be payable to the BIS, at the commencement of the draw-down period referred to in clause 3, with respect to the full amount of the facility. Commission so paid shall be refunded pro rata temporis, at the rate of 1/4 per cent per annum, in respect of amounts drawn and
outstanding during the one-year draw-down period. Amounts to be so refunded will be applied in reducing amounts of interest due on drawings, calculated in accordance with clause 10 below.

3. During the one-year period commencing on 30th April 1984, the Fund will have the right, on giving three business days’ notice (Basle and New York) by tested telex, to make drawings up to the total amount remaining undrawn under the facility. The Fund will endeavor not to make drawings in excess of SDR 500 million for the same value date or SDR 1,000 million during any week.

4. Drawings shall be for periods of three months or for such other periods as may be mutually agreed and may be similarly renewed by the Fund on giving notice as provided in clause 3.

5. No drawing, after allowing for subsequent renewals thereof, may mature later than two years and six months after its initial value date. Repayment of a drawing shall not have the effect of restoring the amount that can be drawn under the facility.

6. All amounts due under the facility shall be denominated in SDRs but the corresponding payments will be effected by transfer of U.S. dollars (Federal Funds) to the respective accounts of the Fund and of the BIS (“F” account) with the Federal Reserve Bank of New York, New York.

7. All payments under the facility will be made using the exchange rate between the SDR and the U.S. dollar established and published by the Fund for the second business day (New York) before the value date of the payment.

8. The parties may mutually agree that any payment under the facility be made either, at an agreed exchange rate, in a currency other than the U.S. dollar, or in SDRs.

9. If at any time the method of valuing the SDR is changed by the Fund, all payments due under the facility two business days
or more after the effective date of the change will be made on the basis of the new valuation.

10. Each drawing shall bear interest, at an annual rate determined by the BIS from the product of

(a) the offered rate in the Eurocurrency markets—at 11:00 a.m. London time—for the appropriate period, for each currency included in the SDR basket as notified to the BIS and the Fund by the Bank of England (or, if the London market is closed, at 11:00 a.m. Paris time as so notified by the Banque de France) on the business day referred to in clause 7, and

(b) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar.

The interest rate applicable shall be the sum of the products so calculated, rounded to the nearest 1/8 percent above. The amount of interest due in respect of each drawing shall be calculated on the basis of the actual number of days and 360 days a year, and shall be payable when the drawing matures.

11. The Fund agrees that, in the event that any drawing is neither renewed nor repaid by the Fund on maturity, any central bank which is either the central bank of a member country of the Fund or a prescribed holder of SDRs may, at any time thereafter, be substituted for the BIS in respect of all or part of its claims against the Fund under the facility in respect of that drawing. The said substitution shall become effective with respect to the Fund upon receipt by it of confirmation by the transferee, such confirmation to be transmitted by the BIS, that the transferee accepts such substitution.

12. Any question arising with respect to the facility shall be settled by mutual agreement and no municipal law shall be treated as governing the issue.
13. Please confirm by tested telex your acceptance of the offer made above. This telex and your confirmation will constitute a binding agreement between our two institutions, which will become effective on the date of your acceptance.

Borrowing Agreement Between the Fund and the Government of Japan

1. The Government of Japan ("Japan") agrees to open a facility, free of commission, fee or charge, in favor of the International Monetary Fund ("the Fund") for an amount equivalent to SDR 375 million, on the terms and conditions set out below.

2. The Fund may draw on the facility at any time during the period of twelve months commencing April 30, 1984, on giving Japan at least three business days' notice (Tokyo) by tested telex. The Fund will endeavor not to draw more than SDR 80 million on any one value date or more than SDR 160 million during any week.

3. The amount of each drawing shall be denominated in SDRs. Unless otherwise agreed between the Fund and Japan, the amount shall be paid by Japan, on the value date specified in the Fund's notice, by transfer of the equivalent amount of Japanese yen to the account of the Fund at the Bank of Japan, Tokyo. Japan agrees that, on request, it shall exchange yen provided hereunder for U.S. dollars, to the extent required by the Fund for investment pending use of the borrowed funds in transactions of the Fund.

4. (a) Drawings shall be for periods of six months or such other periods as may be mutually agreed, and may be similarly renewed by the Fund on giving notice as provided in paragraph 2 prior to each maturity date, provided that the total period that any drawing remains outstanding shall not exceed two years and six months.
(b) If a maturity period does not end on a business day in the place where payment of interest or principal is to be made, the maturity date shall be fixed to fall on the next succeeding business day in that place.

(c) A renewal may be recorded in the books of Japan by entries showing that the outstanding drawing has been repaid and an identical amount has been drawn by the Fund on the same value date.

5. At the request of Japan, its commitment to meet drawings or to renew drawings may be terminated if Japan represents that its balance of payments and reserve position does not justify further drawings or renewals, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that no further drawing or renewal should be made.

6. (a) Each drawing shall bear interest at an annual rate determined by the Fund at the commencement of each maturity period, from the product of

(i) the offered rate in the Eurocurrency markets, at 11:00 a.m. London time, for the appropriate period for each currency included in the SDR basket, as notified to the Fund by the Bank of England (or, if the London market is closed, at 11:00 a.m. Paris time as so notified by the Banque de France) on the business day referred to in paragraph 10, and

(ii) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar on that day.

The applicable interest rate shall be the sum of the products so calculated, rounded up to the nearest \( \frac{1}{8} \) of one percent.
(b) The amount of interest payable in respect of the maturity period shall be calculated on the basis of the actual number of days that interest has accrued and a 360-day year and shall be paid by the Fund on the last day of the period or on the date the principal amount is repaid, whichever is earlier.

7. At the request of Japan, the Fund shall issue to Japan a nonnegotiable certificate evidencing its claim on the Fund resulting from a drawing outstanding under this agreement.

8. The Fund shall repay the principal amount of each drawing on the final maturity date applicable to the drawing or on such earlier repayment date as may be established pursuant to paragraph 11 or 12 of this agreement. Repayment shall not have the effect of restoring the amount that can be drawn under the facility.

9. (a) Payments by the Fund of principal and interest shall normally be made in Japanese yen, provided that the Fund, by agreement with Japan, may use SDRs, U.S. dollars or any other currency.

(b) Payments in Japanese yen shall be made by crediting the amount due to the account of the Government of Japan at the Bank of Japan, Tokyo. Payments in SDRs shall be made by crediting Japan's holdings account in the Special Drawing Rights Department, payments in U.S. dollars shall be made by crediting the account of the Government of Japan, Minister of Finance, at the Federal Reserve Bank of New York, New York, and payments in any other currency shall be made as may be agreed between the Fund and Japan.

10. Unless otherwise agreed between Japan and the Fund, all transfers and exchanges under paragraph 3, and all payments of principal and interest, shall be made at the exchange rates for the relevant currencies in terms of the SDR established by the Fund for the third business day of the Fund before the value date of the transfer, exchange or payment.
11. If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made three or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation. Nevertheless, if Japan so requests within 30 days after the adoption of the relevant decision of the Fund but not later than 14 days after the date the change becomes effective, the former method of determining the value of the SDR shall continue to apply to all outstanding amounts and their repayment, and in the calculation and payment of interest on such outstanding amounts. If Japan exercises this option, the Fund shall have the right, on giving 14 days' notice, to repay in advance of maturity all the amounts to which the option has been applied.

12. (a) Japan may obtain repayment of a claim on the Fund under this agreement before maturity, at face value, if Japan represents that its balance of payments and reserve position justifies early repayment, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for such early repayment.

(b) Japan and the Fund may agree that a claim on the Fund will be repaid at the end of any maturity period.

13. (a) Except as provided in (b) and (c) below, the commitment of Japan to meet and renew drawings under this agreement and its claims on the Fund resulting from outstanding drawings shall be transferable only with the consent of the Fund.

(b) Japan shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other agency of any member, or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(c) The transferee shall, as a condition of the transfer, assume the liability of Japan to accept a renewal of the transferred claim, and shall acquire all the rights of Japan under this
agreement with respect to such claim, except that (i) for purposes of notice of renewals, references to business days (Tokyo) shall be deemed to refer to business days in the place where the transferee is situated, (ii) the transferee shall acquire the right to request termination of renewals under paragraph 5 and early repayment under paragraph 12 only if it is a member, or the central bank or other agency of a member, and at the time of transfer the member's balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund's operational budget, and (iii) if the transferee is a member or the central bank or other agency of a member, the reference to Japanese yen in paragraph 9(a) shall be deemed to refer to the transferee's currency, and in other cases it shall be deemed to refer to U.S. dollars.

14. Any question arising hereunder shall be settled by mutual agreement between Japan and the Fund.

15. If the foregoing proposal is acceptable to Japan, this communication and your duly authenticated reply accepting the proposal shall constitute an agreement between Japan and the Fund, which shall enter into effect on the date the Fund acknowledges receipt of your reply.

Borrowing Agreement Between the Fund and the National Bank of Belgium

1. The National Bank of Belgium ("the Bank") agrees to open a facility, free of commission, fee or charge, in favor of the International Monetary Fund ("the Fund") for an amount equivalent to SDR 120 million, on the terms and conditions set out below.

2. The Fund may draw on the facility at any time during the period of twelve months commencing on June 30, 1984, on giving the Bank at least three business days' notice (Brussels) by tested telex. The Fund will endeavor not to draw more than
SDR 25 million on any one value date or more than SDR 50 million during any week.

3. The amount of each drawing shall be denominated in SDRs. Unless otherwise agreed between the Fund and the Bank, the amount shall be paid by the Bank, on the value date specified in the Fund's notice, by transfer of the equivalent amount of U.S. dollars (Federal funds) to the account of the Fund at the Federal Reserve Bank of New York, New York.

4. (a) Each drawing shall have an initial maturity of three months, and shall be renewable by the Fund for further successive periods of three months by giving notice as provided in paragraph 2 prior to each maturity date, provided that the total period that any drawing remains outstanding shall not exceed two years and six months.

(b) If a maturity period does not end on a business day in the place where payment of interest or principal is to be made, the maturity date shall be fixed to fall on the next succeeding business day in that place.

5. At the request of the Bank, its commitment to meet drawings or to renew drawings may be terminated if the Bank represents that the balance of payments and reserve position of Belgium does not justify further drawings or renewals, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that no further drawing or renewal should be made.

6. (a) Each drawing shall bear interest at an annual rate determined by the Fund at the commencement of each maturity period, from the product of

(i) the three-month offered rate in the Eurocurrency markets, at 11:00 a.m. London time, for each currency included in the SDR basket, as notified to the Fund by the Bank of England (or, if the London market is closed, at 11:00 a.m. Paris time as so
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notified by the Banque de France) on the business day referred to in paragraph 9, and

(ii) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar on that day.

The applicable interest rate shall be the sum of the products so calculated, rounded up to the nearest $\frac{1}{8}$ of one percent.

(b) The amount of interest payable in respect of the maturity period shall be calculated on the basis of the actual number of days that interest has accrued and a 360-day year and shall be paid by the Fund on the last day of the period or on the date the principal amount is repaid, whichever is earlier.

7. The Fund shall repay the principal amount of each drawing on the final maturity date applicable to the drawing or on such earlier repayment date as may be established pursuant to paragraph 10 or 11 of this agreement. Repayment shall not have the effect of restoring the amount that can be drawn under the facility.

8. (a) Payments by the Fund of principal and interest shall normally be made in U.S. dollars. The Fund and the Bank may agree on other means of payment, provided that, if agreement is not reached, the Fund shall have the option to pay in Belgian francs, any freely usable currency, or SDRs.

(b) Payments in U.S. dollars shall be made by crediting the amount due to an account designated by the Bank at the Federal Reserve Bank of New York. Payments in currencies other than U.S. dollars shall be made as may be agreed between the Fund and the Bank. Payments in SDRs shall be made by crediting the account of Belgium in the Special Drawing Rights Department, and shall be deemed to meet the Fund's obligations to the Bank under this agreement to the extent of the payment.
9. Unless otherwise agreed between the Bank and the Fund, all transfers under paragraph 3, and all payments of principal and interest, shall be made at the exchange rates for the relevant currencies in terms of the SDR established by the Fund for the third business day of the Fund before the value date of the transfer or payment.

10. If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made three or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation. Nevertheless, if the Bank so requests within 30 days after the adoption of the relevant decision of the Fund but not later than 14 days after the date the change becomes effective, the former method of determining the value of the SDR shall continue to apply to the amounts of outstanding drawings and their repayment, and in the calculation and payment of interest on such outstanding amounts. If the Bank exercises this option, the Fund shall have the right, on giving 14 days' notice, to repay in advance of maturity all the amounts to which the option has been applied.

11. The Bank may obtain repayment of a claim on the Fund under this agreement before maturity if the Bank represents that the balance of payments and reserve position of Belgium justifies early repayment, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for such early repayment.

12. (a) Except as provided in (b) and (c) below, the commitment of the Bank to meet and renew drawings under this agreement and its claims on the Fund resulting from outstanding drawings shall be transferable only with the consent of the Fund.

(b) The Bank shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other agency of any member, or to any official entity that
has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(c) The transferee shall, as a condition of the transfer, assume the liability of the Bank to accept a renewal of the transferred claim, and shall acquire all the rights of the Bank under this agreement with respect to such claim, except that (i) for purposes of notice of renewals, references to business days (Brussels) shall be deemed to refer to business days in the place where the transferee is situated, and (ii) the transferee shall acquire the right to request termination of renewals under paragraph 5 and early repayment under paragraph 11 only if it is a member, or the central bank or other agency of a member, and at the time of transfer the member's balance of payments and reserve position is considered sufficiently strong for its currency to be usable in net sales in the Fund's operational budget, and (iii) if the transferee is a member or the central bank or other agency of a member, the reference to Belgian francs in paragraph 8(a) shall be deemed to refer to the transferee's currency, and in other cases the reference shall not apply.

13. Any question arising hereunder shall be settled by mutual agreement between the Bank and the Fund.

14. If the foregoing proposal is acceptable to the Bank, this communication and your duly authenticated reply accepting the proposal shall constitute an agreement between the Bank and the Fund, which shall enter into effect on the date the Fund acknowledges receipt of your reply.

POLICY ON ENLARGED ACCESS: BORROWING AGREEMENTS WITH THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS), JAPAN AND THE NATIONAL BANK OF BELGIUM—EXTENSION OF COMMITMENT PERIODS*

The Executive Board authorizes the Managing Director (i) to accept the proposal by the BIS that the commitment

*All three extensions became effective on April 26, 1985.
period under the 1984 borrowing agreement with the BIS be extended to December 31, 1985, and that a further stand-by commission be paid corresponding to the extended commitment period, as set out in Attachment I [below]; and

(ii) to propose extensions of the commitment periods under the 1984 borrowing agreements with Japan (to December 31, 1985) and the National Bank of Belgium (to February 28, 1986), as set out in Attachment II [below].

Decision No. 7955-(85/60)
April 23, 1985

Attachment I
Proposal from the BIS Received in the Fund on April 15, 1985

Reference the Agreement between the BIS and the Fund, constituted by an exchange of telexes on 13th April 1984 and 30th April 1984, establishing a stand-by facility in favor of the Fund for an amount equivalent to SDR 2,505 million. Following your request for an extension of the arrangement I propose on behalf of the BIS that the agreement be amended as follows:

1. The period during which the Fund may draw on the facility, as specified in clause 3 of the Agreement, shall be extended by a further period of eight months, ending on 31st December 1985.

2. In consequence of this extension, the Fund shall, on 30th April 1985, pay to the BIS the further stand-by commission referred to in paragraph 3 below.

3. Clause 2 of the facility shall be amended to read as follows:

"2. A stand-by commission of ¼ percent shall be payable to the BIS, at the commencement of the draw-down period referred to in clause 3, with respect to the full amount of the facility. A further stand-by commission of ¼ percent per
annum shall be payable to the BIS on 30th April 1985 with respect to the amount remaining available for drawing under the facility on that date, and the extended draw-down period (30th April to 31st December 1985). The stand-by commission paid at the commencement of the draw-down period shall be refunded pro rata temporis, at the rate of \( \frac{1}{4} \) percent per annum, in respect of amounts drawn and outstanding during the first twelve months of the draw-down period. The further stand-by commission shall be refunded pro rata temporis, at the rate of \( \frac{1}{4} \) percent per annum, in respect of amounts drawn and outstanding during the final eight months of the draw-down period. Amounts to be so refunded will be applied in reducing amounts of interest due on relevant drawings, calculated in accordance with clause 10 below."

In all other respects the provisions of the Agreement shall continue in effect, and shall apply to all amounts drawn during the extended period. Please confirm by tested telex your acceptance of this proposal. This telex and your confirmation shall constitute an amendment to the agreement, which will become effective on the date of your acceptance.

Attachment II

Proposed Communication from the Fund
Amending Agreement with Government of Japan

I refer to the Agreement between the Government of Japan and the Fund, which became effective on April 30, 1984, establishing a stand-by facility in favor of the Fund for an amount equivalent to SDR 375 million. On behalf of the Fund, I propose that paragraph 2 of the Agreement be amended by extending the period during which the Fund may draw on the facility for a further period to end on December 31, 1985. If you concur, please send a duly authenticated reply indicating that this extension is acceptable to Japan. The amendment shall become effective on the date the Fund acknowledges receipt of your reply.
Proposed Communication from the Fund
Amending Agreement with National Bank of Belgium

I refer to the Agreement between the National Bank of Belgium and the Fund, which became effective on April 30, 1984, establishing a stand-by facility in favor of the Fund for an amount equivalent to SDR 120 million. On behalf of the Fund, I propose that paragraph 2 of the Agreement be amended by extending the period during which the Fund may draw on the facility for a further period of eight months, to end on February 28, 1986. If you concur, please send a duly authenticated reply indicating that this extension is acceptable to the Bank. The amendment shall become effective on the date the Fund acknowledges receipt of your reply.

Policy on Enlarged Access: Borrowing Agreement with Japan

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Executive Board approves the agreement for borrowing from the Government of Japan, in terms of the draft set out in the Attachment to EBS/86/265, and authorizes the Managing Director to take such action as is necessary to conclude and implement the agreement.

Decision No. 8486-(86/205)
December 19, 1986

Attachment to
EBS/86/265

Draft of Proposed Borrowing Agreement Between the Government of Japan and the Fund

1. Given the severe balance of payments difficulties confronting, or in prospect for many member countries, and in order to strengthen the financial position of the International Monetary Fund ("the Fund") and to facilitate a flexible response in accordance with its policies to assist its members in their efforts to overcome balance of payments difficulties, the Government of
Japan ("Japan") agrees to lend to the Fund an amount equivalent to SDR 3 billion, on the terms and conditions set out below.

2. The Fund may make drawings under this agreement at any time during the period of four years commencing on the date of the first drawing and, in any event, not later than May 1, 1987, upon giving Japan at least three business days' notice (Tokyo) by tested telex. After consultation with Japan, the Managing Director may, if warranted in his judgment in light of an assessment of the Fund's liquidity and prospective borrowing requirements, propose extension of the period for drawings for up to two years, and Japan would agree to such a proposal.

3. The Fund will endeavor not to draw more than the equivalent of SDR 400 million on any one value date nor more than the equivalent of SDR 800 million during any week.

4. The amount of each drawing shall be denominated in SDRs. Unless otherwise agreed between the Fund and Japan, the amount shall be paid by Japan, on the value date specified in the Fund's notice, by transfer of the equivalent amount of Japanese yen to the account of the Fund at the Bank of Japan, Tokyo. Japan agrees that, on request, it shall exchange yen provided hereunder for U.S. dollars, to the extent required by the Fund for investment pending use of the borrowed funds in transactions of the Fund.

5. At the request of Japan, the Fund shall issue to Japan a nonnegotiable certificate evidencing its claim on the Fund resulting from a drawing outstanding under this agreement.

6. (a) Drawings shall be for maturity periods of six months. The drawings, or any part thereof, may be renewed by the Fund for consecutive periods of six months on giving notice as provided in paragraph 2 prior to each maturity date, provided that the total period that any drawing remains outstanding shall not exceed five years.

(b) If a maturity period does not end on a business day in the place where payment is to be made, the maturity date shall be on the next succeeding business day in that place.
(c) A renewal may be recorded in the books of Japan by entries showing that the outstanding drawing has been repaid and that the amount subject to renewal has been drawn by the Fund on the same value date.

7. The Fund shall repay the principal amount of each drawing on the final maturity date applicable to the drawings or on such earlier repayment date as may be established pursuant to paragraphs 12 or 14 of this agreement. Repayment shall not have the effect of restoring the amount that can be drawn under this agreement.

8. (a) Each drawing shall bear interest at an annual rate determined by the Fund at the commencement of each maturity period, from the product of:

(i) the interest rates on domestic instruments in each currency included in the SDR basket, as reported to the Fund by each of five central banks, on the business day referred to in paragraph 13, as follows:

--- the bond equivalent yield for six-month U.S. Treasury Bills,
--- the six-month interbank rate in Germany,
--- the six-month rate for interbank loans against private paper in France,
--- the average rate for newly issued bank CDs in Japan with a maturity of between 150 and 180 days,
--- the six-month interbank rate in the United Kingdom, and

(ii) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar on that day.
BORROWING

The applicable interest rate shall be the sum of the products so calculated, rounded up to the nearest \( \frac{1}{16} \) of 1 percent.

(b) The amount of interest payable in respect of the maturity period shall be calculated on an actual day basis and shall be paid by the Fund on the last day of the period or on the date the principal amount is repaid, whichever is earlier.

9. (a) Payments by the Fund of Principal and interest shall normally be made in Japanese yen, provided that the Fund, by agreement with Japan, may use SDRs, U.S. dollars or any other currency. If agreement is not reached, the Fund shall have the option to pay in any freely usable currency as defined by the Fund, in SDRs, or in any combination thereof.

(b) Payments in Japanese yen shall be made by crediting the amount due to the account of Government of Japan at the Bank of Japan, Tokyo. Payments in SDRs shall be made by crediting Japan's holdings account in the Special Drawing Rights Department. Payments in U.S. dollars shall be made by crediting the account of the Government of Japan, Minister of Finance, at the Federal Reserve Bank of New York, New York. Payments in any other currency shall be made to an account specified by Japan.

10. At the request of Japan, its commitment to meet drawings or to renew drawings shall be terminated if Japan represents that its balance of payments and reserve position does not justify further drawings or renewals, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that no further drawing or renewal should be made.

11. (a) Except as provided in (b) and (c) below, the commitment of Japan to meet and renew drawings under this agreement and its claims on the Fund resulting from outstanding drawings shall be transferable only with the consent of the Fund.

(b) Japan shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank
or other fiscal agency designated by any member for purposes of Article V, Section 1 ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund’s Articles of Agreement.

(c) The transferee shall, as a condition of the transfer, assume the liability of Japan to accept a renewal of the transferred claim, and shall acquire all the rights of Japan under this agreement with respect to such claim, except that (i) for purposes of notice of renewals, references to business days (Tokyo) shall be deemed to refer to business days in the place where the transferee is situated, (ii) the transferee shall acquire the right to request termination of renewals under paragraph 10 and early repayment under paragraph 12 only if it is a member, or the central bank or other fiscal agency of a member, and at the time of transfer the member’s balance of payments and reserve position is considered sufficiently strong in the opinion of the Fund for its currency to be usable in net sales in the Fund’s operational budget, and (iii) if the transferee is a member or the central bank or other fiscal agency of a member, the reference to Japanese yen in paragraph 9(a) shall be deemed to refer to the transferee’s currency, and in other cases it shall be deemed to refer to U.S. dollars.

12. (a) Japan shall obtain repayment of a claim on the Fund under this agreement before maturity, at face value, if Japan represents that its balance of payments and reserve position justifies early repayment, and the Fund, having given this representation the overwhelming benefit of any doubt, determines that there is a need for such early repayment.

(b) Japan and the Fund may agree that a claim on the Fund will be repaid at the end of any maturity period.

13. Unless otherwise agreed between Japan and the Fund, all transfers and exchanges under paragraph 4, and all payments of principal and interest, shall be made at the exchange rates for the relevant currencies in terms of the SDR established by the Fund.
for the third business day of the Fund before the value date of the transfer, exchange or payment.

14. If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made three or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation. Nevertheless, if Japan so requests within 30 days after the adoption of the relevant decision of the Fund but not later than 14 days after the date the change becomes effective, the former method of determining the value of the SDR shall continue to apply to all outstanding amounts and their repayment, and in the calculation and payment of interest on such outstanding amounts. If Japan exercises this option, the Fund shall have the right, on giving 14 days' notice, to repay in advance of maturity all the amounts to which the option has been applied.

15. Any question arising hereunder shall be settled by mutual agreement between Japan and the Fund.

If the foregoing proposal is acceptable to Japan, this communication and your duly authenticated reply accepting the proposal shall constitute an agreement between Japan and the Fund which shall enter into effect on the date the Fund acknowledges receipt of your reply.*

**Policy on Enlarged Access: Establishment of the Borrowed Resources Suspense Accounts**

1. The Managing Director is authorized (i) to establish Borrowed Resources Suspense Accounts within the General Department, (ii) to transfer to these Accounts balances of currencies borrowed before these can be used in transactions or received in repurchases made before repayment can be made, and (iii) to invest these balances until they can be transferred to the

*Entered into effect on December 24, 1986.
General Resources Account for immediate use in a transaction or an operation.

2. A Borrowed Resources Suspense Account for each currency shall be opened, as needed, with the depository designated pursuant to Article XIII, Section 2, by a member whose currency is to be borrowed, used for investment, or used in repayment or the payment of interest and shall be operated in accordance with the standard procedures for the operation of the Fund's No. 1 and Securities Accounts with the depository.

*Decision No. 6844-(81/75)
*May 5, 1981*

**Policy on Enlarged Access: Investment by the Fund of the Currencies Held in the Borrowed Resources Suspense Accounts**

1. The Managing Director is authorized to invest currencies held in the Borrowed Resources Suspense Accounts in one or more of the following ways: (a) deposits with a national official financial institution of a member, or an international financial institution, that are denominated in special drawing rights; (b) marketable obligations issued by a member or by a national official institution of a member and denominated in special drawing rights; and (c) marketable obligations issued by an international financial institution and denominated in special drawing rights.

2. The policy on the investment of the undisbursed amounts held in the Borrowed Resources Suspense Accounts shall take into account the operational needs of the General Resources Account, including the dates on which members are expected to make purchases from the Fund under its Policy on Enlarged Access.

3. (a) The Managing Director, when making arrangements for the placement of investments in accordance with paragraphs 1
and 2 above, shall consider the terms offered by a national official financial institution of the member issuing the currency borrowed, or to which the borrowed funds may be transferred, that will accept investments denominated in special drawing rights, and the terms offered by the Bank for International Settlements, for all or part of the intended investment in SDR-denominated deposits.

(b) In the event the Managing Director considers that none of the offers made by the central banks and by the BIS is sufficiently attractive, he shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations.

4. The Managing Director is authorized to transfer borrowed funds at the time of the original receipt from the Borrowed Resources Suspense Account in the depository designated by the member whose currency was borrowed to the Borrowed Resources Suspense Account in the depository designated by the member whose currency is to be used in an investment when this transfer is necessary to effect an investment denominated in special drawing rights, and when this transfer has been concurred in by the two members whose currencies will be involved.

Decision No. 6845-(81/75)
May 5, 1981

Guidelines for Borrowing by the Fund

Quota subscriptions are and should remain the basic source of the Fund's financing. However, borrowing by the Fund provides an important temporary supplement to its resources. In present circumstances, it facilitates the provision of balance of payments assistance to its members under the Fund's policies of supplementary financing and enlarged access.
The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting adjustment.

Against this background the Executive Board approves the following guidelines on borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.

2. Subject to paragraph 4 below, the Fund will not allow the total of outstanding borrowing plus unused credit lines to exceed the range of 50–60 percent of the total of Fund quotas. If the total of outstanding borrowing plus unused credit lines reaches the level of 50 percent of quotas, the Executive Board shall assess the various technical factors that determine, at that time, the availability of balances of unused lines of credit. While this assessment is being made, the total of outstanding borrowing plus unused credit lines may rise, if necessary, beyond 50 percent, but shall not exceed 60 percent of total quotas.

3. The total of outstanding borrowing plus unused credit lines under paragraph 2 above shall include, in respect of the GAB and borrowing arrangements associated with the GAB, either outstanding borrowing by the Fund under these arrangements, or two thirds of the total of credit lines under these arrangements, whichever is the greater.

4. In the case of major developments, the Executive Board shall promptly review, and may adjust, the guidelines. In any event, the guidelines shall be reviewed when the Board of Governors has completed the Ninth General Review of Quotas.
or when there is a significant change in the GAB or associated arrangements, and may be adjusted as a result of such reviews.

5. The percentage limits specified in paragraph 2 above, or any other limits that may be adopted as a result of a review pursuant to paragraph 4 above, are not to be understood, at any time, as targets for borrowing by the Fund.

Decision No. 7040-(82/7),
January 13, 1982,
as amended by
Decision No. 7589-(83/181)
December 23, 1983
Unenforceability of Exchange Contracts

The following letter shall be sent to all members:

The Board of Executive Directors of the International Monetary Fund has interpreted, under Article XVIII* of the Articles of Agreement, the first sentence of Article VIII, Section 2(b), which provision reads as follows:

Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member.

The meaning and effect of this provision are as follows:

1. Parties entering into exchange contracts involving the currency of any member of the Fund and contrary to exchange control regulations of that member which are maintained or imposed consistently with the Fund Agreement will not receive the assistance of the judicial or administrative authorities of other members in obtaining the performance of such contracts. That is to say, the obligations of such contracts will not be implemented by the judicial or administrative authorities of member countries, for example by decreeing performance of the contracts or by awarding damages for their non-performance.

2. By accepting the Fund Agreement members have undertaken to make the principle mentioned above effectively part of their national law. This applied to all

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.
members, whether or not they have availed themselves of the transitional arrangements of Article XIV, Section 2.

An obvious result of the foregoing undertaking is that if a party to an exchange contract of the kind referred to in Article VIII, Section 2(b) seeks to enforce such a contract, the tribunal of the member country before which the proceedings are brought will not, on the ground that they are contrary to the public policy (ordre public) of the forum, refuse recognition of the exchange control regulations of the other member which are maintained or imposed consistently with the Fund Agreement. It also follows that such contracts will be treated as unenforceable notwithstanding that under the private international law of the forum, the law under which the foreign exchange control regulations are maintained or imposed is not the law which governs the exchange contract or its performance.

The Fund will be pleased to lend its assistance in connection with any problem which may arise in relation to the foregoing interpretation or any other aspect of Article VIII, Section 2(b). In addition, the Fund is prepared to advise whether particular exchange control regulations are maintained or imposed consistently with the Fund Agreement.

Decision No. 446-4
June 10, 1949
ARTICLE VIII AND ARTICLE XIV

Payments Restrictions

Payments Restrictions for Security Reasons: Fund Jurisdiction

Art. VIII, Sec. 2(a), in conformity with its language, applies to all restrictions on current payments and transfers, irrespective of their motivation and the circumstances in which they are imposed. Sometimes members impose such restrictions solely for the preservation of national or international security. The Fund does not, however, provide a suitable forum for discussion of the political and military considerations leading to actions of this kind. In view of the fact that it is not possible to draw a precise line between cases involving only considerations of this nature and cases involving, in whole or in part, economic motivations and effects for which the Fund does provide the appropriate forum for discussion, and the further fact that the Fund must exercise the jurisdiction conferred by the Fund Agreement in order to perform its duties and protect the legitimate interests of its members, the following policy decision is taken:

1. A member intending to impose restrictions on payments and transfers for current international transactions that are not authorized by Art. VII, Sec. 3(b) or Art. XIV, Sec. 2 of the Fund Agreement and that, in the judgment of the member, are solely related to the preservation of national or international security, should, whenever possible, notify the Fund before imposing such restrictions. Any member may obtain a decision of the Fund prior to the imposition of such restrictions by so indicating in its notice, and the Fund will act promptly on its request. If any member intending to impose such restrictions finds that circumstances preclude advance notice to the Fund, it should notify the Fund as promptly as circumstances permit, but ordinarily not later than 30 days after imposing such restrictions. Each notice received in accor-
dance with this decision will be circulated immediately to the Executive Directors. Unless the Fund informs the member within 30 days after receiving notice from the member that it is not satisfied that such restrictions are proposed solely to preserve such security, the member may assume that the Fund has no objection to the imposition of the restrictions.

2. The Fund will review the operation of this decision periodically and reserves the right to modify or revoke, at any time, the decision or the effect of the decision on any restrictions that may have been imposed pursuant to it.

Decision No. 144-(52/51)
August 14, 1952

BILATERALISM AND CONVERTIBILITY

1. This decision records the Fund's views on the use of bilateral arrangements.

2. Fund policies and attitude on bilateral arrangements which involve the use of exchange restrictions and represent limitations on a multilateral system of payments are an integral part of its policy on restrictions. This policy aims at the elimination of foreign exchange restrictions and the earliest possible establishment of a multilateral system of payments in respect of current transactions between members. The Fund's policies and procedures on such restrictions rest on Articles I, VIII and XIV of the Fund Agreement.

3. Certain members have already taken steps to reduce their dependence on bilateral arrangements, but many members still use them. The Fund welcomes the reduced reliance on these arrangements and believes that the improvement in the international payments situation makes it less necessary for members to rely on such arrangements. The Fund urges the full collaboration of all its members to reduce and to eliminate as rapidly as practicable reliance on bilateralism. In this respect the Fund recommends close cooperation of those who plan to make their
currencies convertible in the near future. Unless this policy is energetically pursued by all countries, both convertible and inconvertible, there is serious risk that widespread restrictions, particularly of a discriminatory character, will persist. Moreover, the persistence of bilateralism may impede the attainment and maintenance of convertibility. This whole problem is one not only for countries which maintain bilateral arrangements but also for other countries whose domestic and foreign economic policies may adversely affect the balance of payments of other members.

4. The Fund will have discussions with its members on their need to retain existing bilateral arrangements or their ability to facilitate the reduction of bilateral arrangements by other countries. During the coming year, the Fund will explore with all countries which are parties to bilateral arrangements which involve the use of exchange restrictions the need for the continuation of these arrangements, the possibilities of their early removal, and ways and means, including the use of the Fund's resources, by which the Fund can assist in this process. In its examination of the justification for reliance on such bilateral arrangements the Fund will, without excluding other considerations, have particular regard to the payments position and prospects of the members concerned.

Decision No. 433-(55/42)
June 22, 1955

Retention Quotas: Decision and Letter of Transmittal

In concluding consultations on restrictions on current payments and transfers as required under Article XIV of the Fund Agreement, the Fund postponed consideration of retention quotas and similar practices through which some members have sought to improve their earnings of specific currencies. The Fund has now examined these practices more fully than was possible at the consultations referred to above. The Fund has extended this examination to cover the terms of reference of the resolution
adopted on September 9, 1952, by the Board of Governors and has come to the following conclusions:

1. Members should work toward and achieve as soon as feasible the removal of these retention quotas and similar practices, particularly where they lead to abnormal shifts in trade which cause unnecessary damage to other countries. Members should endeavor to replace these practices by more appropriate measures leading to currency convertibility.

2. The Fund will enter into consultation with each of the members concerned with a view to agreeing on a program for the implementation of 1 above, including appropriate attention to timing of any action which may be decided upon.

3. The Fund does not object to those practices which, by their nature, can be regarded as devices designed solely to simplify the administration of official exchange allocations.

The Managing Director is asked to send the following letter to all members in transmitting the foregoing decision on retention quotas and similar practices:

The Fund has made a detailed study concerning retention quotas and other similar practices pursuant to the resolution passed at the Seventh Session of the Board of Governors in Mexico in September 1952. I am pleased to transmit herewith a decision of the Executive Board of the Fund based on this study.

The Fund has concluded that these practices stem from widespread difficulties presently existing in the international payments position of many countries. The Fund’s consideration of this subject has shown that what is referred to as “retention quotas and similar practices” covers a wide range of exchange measures. Certain practices under this heading may be unobjectionable from the point of view of Fund policies. Other practices in this category, however, appear to result in
adverse effects on exchange stability and to cause unnecessary
damage to member countries. They also may lead to the
adoption of retaliatory measures. The interest of the Fund in
these matters clearly follows from the terms of Article VIII
containing the general obligations of members with respect to
the avoidance of exchange restrictions, discriminatory currency
arrangements and multiple currency practices, and Article XIV dealing with these exchange measures during the
transitional period.

In dealing with retention quotas and similar practices, the
Board has not intended to change existing Fund standards and
procedures with respect to exchange restrictions, discrimina-
tory currency arrangements and multiple currency practices.
Specifically, there was no intention to affect the existing
requirements of prior consultation and approval with respect
to measures of this character. Those requirements, so far as
they concern multiple currency practices, were communicated
to members in the Fund's letter of December 19, 1947 (Ap-
pendix II of the Fund's Annual Report of 1948). Accordingly,
it is expected that members intending to maintain, introduce
or enlarge those retention quotas and similar practices which
constitute exchange restrictions, multiple currency practices or
discriminatory currency arrangements will act in accordance
with existing Fund requirements.

The decision recognizes that it is not practicable to deal
with all of these practices on a general basis. The Fund,
therefore, wishes to deal with these arrangements on a case-to-
case basis. We shall communicate as quickly as practicable
with members using these practices. We are confident that
members will cooperate in these individual discussion in order
to enable the Fund to reach appropriate conclusions.

Decision No. 201-(53/29)
May 4, 1953
PAYMENTS RESTRICTIONS

DISCRIMINATION FOR BALANCE OF PAYMENTS REASONS

The following decision deals exclusively with discriminatory restrictions imposed for balance of payments reasons.

In some countries, considerable progress has already been made towards the elimination of discriminatory restrictions; in others, much remains to be done. Recent international financial developments have established an environment favorable to the elimination of discrimination for balance of payments reasons. There has been a substantial improvement in the reserve positions of the industrial countries in particular and widespread moves to external convertibility have taken place.

Under these circumstances, the Fund considers that there is no longer any balance of payments justification for discrimination by members whose current receipts are largely in externally convertible currencies. However, the Fund recognizes that where such discriminatory restrictions have been long maintained, a reasonable amount of time may be needed fully to eliminate them. But this time should be short and members will be expected to proceed with all feasible speed in eliminating discrimination against member countries, including that arising from bilateralism.

Notwithstanding the extensive moves toward convertibility, a substantial portion of the current receipts of some countries is still subject to limitations on convertibility, particularly in payments relations with state-trading countries. In the case of these countries the Fund will be prepared to consider whether balance of payments considerations would justify the maintenance of some degree of discrimination, although not as between countries having externally convertible currencies. In this connection the Fund wishes to reaffirm its basic policy on bilateralism as stated in its decision of June 22, 1955.

Decision No. 955-(59/45)
October 23, 1959

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Dec. 955-(59/45)
ARTICLE VIII AND ARTICLE XIV

There has been in recent years a substantial improvement in the balance of payments and the reserve positions of a number of Fund members which has led to important and widespread moves to the external convertibility of many currencies. Most international transactions are now carried on with convertible currencies, and many countries have progressed far with the removal of restrictions on payments. In consequence of these developments, it seems likely that a number of members of the Fund either have reached or are nearing a position in which they can consider the feasibility of formally accepting the obligations of Article VIII, Sections 2, 3, and 4. Previous decisions taken by the Fund, such as those on multiple currency practices, bilateral arrangements, discriminatory restrictions maintained for balance of payments purposes, and payments restrictions for security reasons, indicate the Fund's attitude on these matters. The present decision has been adopted as an additional guide to members in pursuance of the purposes of the Fund as set forth in Article I of the Articles of Agreement.

1. Article VIII provides in Sections 2 and 3 that members shall not impose or engage in certain measures, namely restrictions on the making of payments and transfers for current international transactions, discriminatory currency arrangements, or multiple currency practices, without the approval of the Fund. The guiding principle in ascertaining whether a measure is a restriction on payments and transfers for current transactions under Article VIII, Section 2, is whether it involves a direct governmental limitation on the availability or use of exchange as such. Members in doubt as to whether any of their measures do or do not fall under Article VIII may wish to consult the Fund thereon.

2. In accordance with Article XIV, Section 3,* members may at any time notify the Fund that they accept the obligations of

*Corresponds to Article XIV, Section 1 of the Articles of Agreement after the Second Amendment.
PAYMENTS RESTRICTIONS

Article VIII, Sections 2, 3, and 4, and no longer avail themselves of the transitional provisions of Article XIV. Before members give notice that they are accepting the obligations of Article VIII, Sections 2, 3, and 4, it would be desirable that, as far as possible, they eliminate measures which would require the approval of the Fund, and that they satisfy themselves that they are not likely to need recourse to such measures in the foreseeable future. If members, for balance of payments reasons, propose to maintain or introduce measures which require approval under Article VIII, the Fund will grant approval only where it is satisfied that the measures are necessary and that their use will be temporary while the member is seeking to eliminate the need for them. As regards measures requiring approval under Article VIII and maintained or introduced for nonbalance of payments reasons, the Fund believes that the use of exchange systems for nonbalance of payments reasons should be avoided to the greatest possible extent, and is prepared to consider with members the ways and means of achieving the elimination of such measures as soon as possible. Members having measures needing approval under Article VIII should find it useful to consult with the Fund before accepting the obligations of Article VIII, Sections 2, 3, and 4.

3. If members at any time maintain measures which are subject to Sections 2 and 3 of Article VIII, they shall consult with the Fund with respect to the further maintenance of such measures. Consultations with the Fund under Article VIII are not otherwise required or mandatory. However, the Fund is able to provide technical facilities and advice, and to this end, or as a means of exchanging views on monetary and financial developments, there is great merit in periodic discussions between the Fund and its members even though no questions arise involving action under Article VIII. Such discussions would be planned between the Fund and the member, including agreement on place and timing, and would ordinarily take place at intervals of about one year.

299 Dec. 1034-(60/27)
4. Fund members which are contracting parties to the GATT and which impose import restrictions for balance of payments reasons will facilitate the work of the Fund by continuing to send information concerning such restrictions to the Fund. This will enable the Fund and the member to join in an examination of the balance of payments situation in order to assist the Fund in its collaboration with the GATT. The Fund, by agreement with members which are not contracting parties to the GATT and which impose import restrictions for balance of payments reasons, will seek to obtain information relating to such restrictions.

\textit{Decision No. 1034-(60/27)}
\textit{June 1, 1960}

\textbf{Payments Arrears}

The Executive Board has reviewed the Fund's policy with respect to payments arrears. The Fund shall be guided by the approach in the conclusions set forth [below].

\textit{Decision No. 3153-(70/95)}
\textit{October 26, 1970}

\textbf{Conclusions}

1. Undue delays in the availability or use of exchange for current international transactions that result from a governmental limitation give rise to payments arrears and are payments restrictions under Article VIII, Section 2(a), and Article XIV, Section 2. The limitation may be formalized, as for instance compulsory waiting periods for exchange, or informal or ad hoc.

2. The need for the Fund to define its policy on payments arrears is emphasized by the fact that restrictions resulting in payments arrears arising from informal or ad hoc measures do particular harm to a country's international financial relation-
ships because of the uncertainty they generate. This uncertainty is particularly harmful to the smooth functioning of the international payments system and has pronounced adverse effects on the creditworthiness of the debtor country which may extend beyond the period of the existence of the restrictions.

3. In the light of these considerations it is believed that the Fund should aim in consultation reports at a more systematic treatment of restrictions on payments and transfers for current international transactions that produce payments arrears. In all cases where payments arrears arise from a governmental limitation on, or interference with, the availability of foreign exchange at the time a payment for a current international transaction falls due, or with the timely transfer of the proceeds of such transactions, the payments arrears should be treated in the consultation papers as evidence of a payments restriction requiring approval in Article VIII or Article XIV consultation decisions. The staff, in the consultation discussions, will have to establish whether payments arrears exist by ascertaining whether there has been a substantial delay beyond that usually required for ascertaining the bona fides of exchange applications or the time that can be regarded as normally required for the administrative processing of applications for exchange. If payments arrears exist and approval of the restriction giving rise to them is requested by the member, the member should be expected to submit a satisfactory program for their elimination. Approval if given should be only for a temporary period and generally with a fixed terminal date. Because of the difficulty in surveillance, approval should be wherever feasible in terms of the level of arrears outstanding. The program for the elimination of the payments arrears should provide for a maximum permissible delay to which a payment or transfer could be subjected, together with a phased reduction in the outstanding level.

4. Fund financial assistance to members having payments arrears should be granted on the basis of performance criteria or policies with respect to the treatment of arrears similar to the cri-
teria or policies described in the preceding paragraph for the approval of the payments restrictions. In general, the understandings should provide for the elimination of the payments arrears within the period of the stand-by arrangement. Such understandings should be based on the concept of a given level of payments arrears and should be reflected in the performance criteria included in stand-by arrangements in the higher credit tranches. To support the policies designed to deal with arrears the letter of intent should include a statement that there would be no imposition of new restrictions or increase in the level of delayed payments. Where Fund financial assistance is being provided, but only through the first credit tranche, the adoption of a viable program directed toward the elimination of the payments arrears should be an important factor in considering whether the country was making reasonable efforts to redress its international financial situation.

Payments Policies

Consultations on Members' Policies in Present Circumstances

1. The Committee on Reform of the International Monetary System and Related Issues on January 18, 1974 reviewed important recent developments and agreed that, in the present difficult circumstances, all members, in managing their international payments, must avoid the adoption of policies which would merely aggravate the problems of other members. Accordingly, the Committee stressed the importance of avoiding competitive depreciation and the escalation of restrictions on trade and payments; and emphasized the importance of pursuing policies that would sustain appropriate levels of economic activity and employment, while minimizing inflation. It was also recognized that recent developments would create serious payments difficulties for many developing countries. The Commit-
tee agreed that there should be the closest international cooperation and consultation in pursuit of these objectives.

2. The Executive Directors call on all members to collaborate with the Fund in accordance with Article IV, Section 4(a),* with a view to attaining these objectives. The consultations of the Fund on the policies that members are following in present circumstances will be conducted with a view to the attainment of these objectives.

Decision No. 4134-(74/4)
January 23, 1974

Multiple Currency Practices

STATEMENT TO MEMBERS TRANSMITTING FUND’S DECISIONS ON MULTIPLE CURRENCY PRACTICES

The letter to members concerning multiple currency practices and the accompanying statement of the Fund’s decisions with respect to such practices are agreed as revised (Executive Board Document No. 235, Revision 2) and shall be sent without delay to all members. The texts of earlier decisions on the same subject are modified as necessary to correspond with the agreed statement.

Decision No. 237-2
December 18, 1947

Letter to Members
December 19, 1947

To All Members:

During the past several months the Fund has been giving special consideration to multiple currency practices. I am writing to

*Refers to the Articles of Agreement in effect before the Second Amendment.
all of the members today in order to acquaint them with the results of our considerations. Enclosed is a memorandum containing the pertinent decisions taken by the Executive Board. These set forth the general lines of the Fund’s policies toward multiple currency practices which the Fund has adopted to date, together with the obligations of the members and the jurisdiction of the Fund upon which the development of Fund policy will necessarily be based.

We intend, as rapidly as may be possible under the circumstances, to discuss with each member now engaging in a multiple currency practice how this general policy will be applied to its individual problems. In the meantime, all of the members are requested to be guided by the enclosed memorandum and to initiate with the Fund discussions of any pressing problems which may arise.

Sincerely yours,

GUTT
Managing Director

Multiple Currency Practices

This memorandum contains the decisions the Fund has so far taken concerning its policies toward multiple currency practices, and clarification of its jurisdiction with respect to such practices.

The exchange systems of the members who engage in multiple currency practices are frequently complex. For this reason various difficulties will be involved in the modification and removal of the practices, and the policy of the Fund in this regard must develop progressively as its consultations with the members concerned reveal problems which might otherwise be overlooked. The policies set forth below have been agreed as a basis for the initiation of discussions with the members affected:
MULTIPLE CURRENCY PRACTICES

I. Policies

A. General

1. Consultation. There should be continuing consultation on multiple currency practices between the Fund and the members concerned. Members should, as a minimum, consult the Fund before introducing a multiple currency practice, before making a change in any of the multiple rates of exchange, before reclassifying transactions subject to different rates, and before making any other type of significant change in their exchange systems.

2. Stability and Restrictions. In most cases multiple currency practices are both systems of exchange rates and restrictions on payments and transfers for current international transactions. Whenever it is inconvenient to deal with both aspects of such multiple currency practice simultaneously, priority should be given to those features which affect exchange stability and orderly exchange arrangements among members.

3. Removal. Early steps should be taken toward the removal of multiple currency practices which are clearly not necessary for balance of payments reasons. In such cases, ample time should be provided for members to take the necessary steps and to install appropriate substitutes where necessary.

The Fund will encourage members engaging in multiple currency practices for balance of payments reasons to establish as soon as possible conditions which would permit their removal, with the general objective of seeking removal not later than the end of the transitional period.

Where complete removal by the end of the transitional period proves impossible, the Fund will assist the members concerned to eliminate the most dangerous aspects of their multiple currency practices and to exercise reasonable control over those retained.
B. Specific Practices

1. Fixed Exchange Rates. When a multiple currency system includes fixed exchange rates, members should consult with the Fund on any changes in their practices, whether such changes concern the rates of exchange or the classification of transactions subject to particular practices. Should the step contemplated by a member be a part of a program made in agreement with the Fund, the member could, of course, act without prior consultation.

When a multiple rate system is used for restrictions on current and capital transactions, the elimination of the restriction on current transactions would be highly commendable even though restrictions on capital transactions might have to be retained.

2. Taxes on Exchange Drafts. The use by members of taxes on exchange drafts resulting in an unusually large difference between buying and selling rates for a currency is not in accord with the objectives of the Fund Agreement and the Fund shall, in consultation with members concerned, seek the elimination of such practices as rapidly as practicable.

3. Fluctuating Rates of Exchange.

(a) Free Markets. When a multiple currency practice includes a free market with a fluctuating rate, the member should agree with the Fund on the scope of the transactions permitted to take place in that market. Any changes in the scope of these transactions should, of course, be subject to agreement with the Fund. The objective should be to eliminate the fluctuations in the free market as soon as such action is reasonably practicable. When it is not reasonably practicable to eliminate such fluctuations, the Fund will encourage members to exclude current transactions from the free market to the extent that this would be reasonable in the circumstances of each case.
(b) The Auction System.

(i) The purpose for which an auction system is to be used should be agreed with the Fund and any change in its scope should be agreed with the Fund. The fewer the transactions subject to the auction rate, and the less essential the goods involved, the better.

(ii) Depending upon the circumstances, the monetary authorities should undertake to keep the auction rate stable, or to maintain it within certain limits, or to make every effort to prevent brisk fluctuations.

(iii) Wherever auction rates exist or are proposed, the circumstances should be examined in order to determine whether a fixed rate should be substituted for the auction rate.

(iv) If, as is usually the case where an auction system exists, a reduction of the money supply is desirable, the proceeds of the auction market should be directed toward this end.

II. Jurisdiction of the Fund

Multiple currency practices, besides being in most cases restrictive practices, also constitute systems of exchange rates. Since exchange stability depends on effective rates, the general purposes of the Fund and the members' undertakings of Article IV, Section 4(a)* "to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations" are fundamental considerations in an interpretation of the rights and obligations of members under Article XIV, Section 2 or Article VIII, Section 3, to maintain, introduce, or adapt multiple currency practices. Subject to these general principles, the following conclusions are agreed with

*Refers to the Articles of Agreement in effect before the Second Amendment.
respect to the Fund’s jurisdiction and the obligations of members.*

A. Practices Subject to Article VIII, Section 3

1. Maintenance. A member maintaining multiple currency practices at the time the Agreement entered into force, if it does not take advantage of Article XIV, is required by Article VIII, Section 3, to consult with the Fund for their progressive removal or obtain the Fund’s approval for their maintenance.

2. Introduction. Members that have not been occupied by the enemy, and former enemy-occupied members which have not taken advantage of the transitional arrangements, whether or not they have existing multiple rate practices, may introduce a new practice only under Article VIII, Section 3, which provides expressly for the necessity of approval by the Fund.

3. Adaptation. If a multiple currency practice is in force by virtue of Article VIII, Section 3, the member may change or adapt such practice only after consulting with the Fund and obtaining its approval.

4. Reclassification. Members maintaining multiple currency practices under Article VIII, Section 3, may reclassify commodities subject to the practices only after consultation with the Fund and Fund approval.

B. Practices Subject to Article XIV, Section 2

1. Restrictive Nature. Multiple currency practices, when applied to current international transactions, constitute a type of restriction on payments and transfers for current international transactions for the purposes of Article XIV, Section 2.

2. Representations by the Fund. The following language in Article XIV, Section 4** of the Fund Agreement:

*These conclusions concerning the Fund’s jurisdiction and the obligation of members apply to all members including those for whose currencies par values have not been established.

**Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.
"The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement."

(a) applies at any time after the entry into force of the Fund Agreement and

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

3. Maintenance. Members may maintain multiple currency practices during the transitional period under the provisions of Article XIV, Section 2, but only if the maintenance of such practices is necessary for settling members' balance of payments in a manner which does not unduly encumber their access to the resources of the Fund. Members are under a duty to withdraw such practices as soon as they are able without them to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund. Moreover, under Section 4 of Article XIV,* the Fund has certain powers to make representations in exceptional circumstances, of which it is the judge, that conditions are favorable for the withdrawal of any particular restriction. The Fund may exercise this power even if a particular restriction is justified for balance of payments reasons, if the conditions are favorable for the substitution of some practice which is not inconsistent with the purposes of the Agreement.

4. Introduction. Only former enemy-occupied members, which are availing themselves of the transitional provisions, and then whether or not they have existing multiple currency practices, may introduce a new multiple currency practice under Article XIV, Section 2, provided the Fund agrees with

*Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.
the member that the practice is necessary and does not find that it is inconsistent with the purposes of the Fund Agreement or with Article IV, Section 4(a).*

5. Adaptation. A member maintaining multiple currency practices under Article XIV may adapt the existing restrictions, provided such action is consistent with the obligations of Article IV, Section 4(a)* and the Fund is satisfied that the adaptation is dictated by "changing circumstances." A duty to consult with and obtain the approval of the Fund before changing the practice is implicit in both Article IV, Section 4(a)* and in Article XIV, Section 2. The Fund has the power under Article XIV, Section 4,** to represent in exceptional circumstances that circumstances are favorable to withdrawal of a proposal to change an existing multiple currency practice.

6. Reclassification. A member maintaining multiple currency practices under Article XIV may reclassify commodities subject to such practices, under the power to adapt restrictions in Section 2 of Article XIV, and under the same conditions, provided, however, that under the existing restrictions the effective rates are other than parity.

C. Exchange Taxes

When a tax affects an obligation undertaken by the members of the Fund, the relationship between the tax and the obligation is of direct concern to the Fund and subject to its jurisdiction. Whenever exchange taxes are used to modify par values, create multiple currency practices, or introduce restrictive exchange controls, they are subject to the Fund's jurisdiction. The Fund has authority to deal with these exchange matters irrespective of the official device or procedure involved.

*Refers to the Articles of Agreement in effect before the Second Amendment.
**Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.
D. Rates Differing from Parity by More than One Per Cent

An effective buying or selling rate which, as the result of official action, e.g., the imposition of an exchange tax, differs from parity by more than one per cent, constitutes a multiple currency practice.

MULTIPLE CURRENCY PRACTICES

I. The Executive Board has considered the staff paper on the "Review of Fund Policies on Multiple Currency Practices" (SM/57/2, Rev. 1, 5/3/57)* and is in agreement with the general approach of the paper.

II. Unification of the exchange rates in multiple rate systems is a basic objective of the Fund, and it is satisfying to record that several of the members which had followed such practices have been successful in achieving this objective, and that others have made considerable progress in this direction.

III. In reviewing the experience of the past ten years as summarized in the staff report, the Fund draws special attention to the fact that complex multiple rate systems damage the economies of countries maintaining them and harm other countries. These complex systems are difficult to administer, and involve frequent changes, discrimination, export subsidization, a considerable spread between rates, and undue differentiation between classes of imports.

IV. The Executive Board concludes that it is necessary and feasible to make more rapid progress in simplifying complex multiple rate systems, to remove those aspects of existing systems which adversely affect the interests of other members, and to avoid existing systems becoming more complex. Accordingly the following decision is taken:

1. Early and substantial steps should be taken to simplify

*Not included in this volume.
The Fund will not approve such systems unless the countries maintaining them are making reasonable progress toward simplification and ultimate elimination of such systems, or are taking measures or adopting programs which seem likely to result in such progress.

2. As opportunity arises the Fund will continue to press for simplification in all cases where there is clear evidence that the multiple currency system in question is damaging to other members. It will in addition be reluctant to approve changes in multiple rate systems which make them more complex.

3. To assist members to simplify and eliminate complex rate systems the Fund wishes to intensify its collaboration with them. The Fund stands ready to meet members' requests for technical assistance in the preparation of economic programs and measures directed toward exchange simplification. These may in some cases include arrangements in other directions, especially in the fiscal and trade fields. If the Fund considers the proposed exchange simplification and related economic programs or measures to be adequate and appropriate, it will give sympathetic consideration, if requested, to the use of its resources.

Decision No. 649-(57/33)
June 26, 1957

Policy on Multiple Currency Practices

The Executive Board has reviewed the Fund's policy with respect to multiple currency practices. The Fund shall be guided by the approach outlined in the conclusions set forth below.

1. Official action should not cause exchange rate spreads and cross rate quotations to differ unreasonably from those that arise from the normal commercial costs and risks of exchange transactions.
MULTIPLE CURRENCY PRACTICES

a. (i) Action by a member or its fiscal agencies that of itself gives rise to a spread of more than 2 per cent between buying and selling rates for spot exchange transactions between the member's currency and any other member's currency would be considered a multiple currency practice and would require the prior approval of the Fund.

(ii) An exchange spread that arises without official action would not give rise to a multiple currency practice.

(iii) Deviations between the buying and selling rates for spot transactions and for other transactions would not be considered multiple currency practices if they represent the additional costs and exchange risks for these other transactions.

b. Action by a member or its fiscal agencies which results in midpoint spot exchange rates of other members' currencies against its own currency in a relationship which differs by more than 1 per cent from the midpoint spot exchange rates for these currencies in their principal markets would give rise to a multiple currency practice. If the differentials of more than 1 per cent in these cross rates persist for more than one week, the resulting multiple currency practice would become subject to the approval of the Fund under Article VIII, Section 3.

When difficulties are encountered in the interpretation and application of these criteria in specific cases, particularly concerning the nature of official actions, the staff will present the relevant information to the Executive Board for its determination.

2. The policy of the Fund on the exercise of its approval jurisdiction over exchange measures subject to Article VIII, as set forth in paragraph 2 of Executive Board Decision No. 1034-(60/27), adopted June 1, 1960, remains broadly appropriate. In accordance with this policy, the Fund will be prepared to grant approval of multiple currency practices introduced or maintained for balance of payments reasons provided the member represents...
and the Fund is satisfied that the measures are temporary and are being applied while the member is endeavoring to eliminate its balance of payments problems, and provided they do not give the member an unfair competitive advantage over other members or discriminate among members. The Fund will continue to be very reluctant to grant approval for the maintenance of broken cross exchange rates.

3. In accordance with the Fund’s policy on complex multiple currency practices, as stated in Executive Board Decision No. 649-(57/33), adopted June 26, 1957, the Fund will not approve multiple currency practices under complex multiple rate systems unless the countries maintaining them are making reasonable progress toward simplification and ultimate elimination of such systems, or are taking measures or adopting programs which seem likely to result in such progress.

4. While urging members to apply alternative policies not connected with the exchange system, the Fund will be prepared to grant temporary approval of multiple currency practices introduced or maintained principally for nonbalance of payments reasons, provided that such practices do not materially impede the member’s balance of payments adjustment, do not harm the interests of other members, and do not discriminate among members.

5. To assist the Executive Board in reaching a decision concerning approval or nonapproval of a multiple currency practice subject to approval under Article VIII, Section 3, the reasons underlying the practice and its effects will be analyzed in reports on Article IV consultations or in other staff papers dealing with exchange systems. In all cases, consistent with the cycle of consultations under Article IV, approval will be granted for periods of approximately one year, in order to provide for a continual review by the Executive Board.

Decision No. 6790-(81/43)
March 20, 1981
Voluntary Declaration on Trade and Other Current Account Measures

1. The ad hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Issues, in the detailed statement issued at the end of its sixth and final meeting in Washington on June 12–13, 1974, stressed the importance of avoiding the escalation of restrictions on trade and payments for balance of payments purposes and invited members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes annexed to its statement. The Executive Directors associate themselves with this invitation.

2. The letter from the Managing Director to members requesting them to inform the Fund whether they subscribe to the Declaration concerning trade and other current account measures for balance of payments purposes, as set forth [below] shall be sent without delay to all members.

Letter to Members

Sir:

The ad hoc Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues, in a statement issued at the end of its sixth and final meeting in Washington on June 12–13, 1974, has stressed the importance of avoiding the escalation of restrictions on trade and payments for balance of payments purposes and has invited members of the Fund “to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes” annexed to the Committee’s statement.
The Executive Directors of the Fund associate themselves with the invitation of the ad hoc Committee and have asked that I send the text of the Declaration for consideration by the authorities of all members.

The text of the Declaration is enclosed with this letter.

I shall be grateful if members will consider subscribing to this Declaration and will inform me whether they do subscribe to it.

Very truly yours,

H. JOHANNES WITTEVEEN
Managing Director

Declaration

A. A member of the Fund that subscribes to this Declaration represents thereby that, in addition to observing its obligations with respect to payments restrictions under the Articles of Agreement of the Fund, it will not on its own discretionary authority introduce or intensify trade or other current account measures for balance of payments purposes that are subject to the jurisdiction of the GATT, or recommend them to its legislature, without a prior finding by the Fund that there is a balance of payments justification for trade or other current account measures.

B. A member that subscribes to this Declaration will notify the Fund as far in advance as possible of its intention to impose such measures. If circumstances preclude the Fund from making the finding referred to in A above promptly after such notification, the member may nevertheless impose such measures, but will withdraw the measures, within such a period as may be fixed by the Fund in consultation with the member concerned, if the Fund finds that there is no balance of payments justification for trade or other current account measures.

C. In arriving at the findings referred to above, the Executive
Directors are requested to take into account the special circumstances of developing countries.

D. In connection with this Declaration arrangements will be made for continuing close coordination between the Fund and the GATT.

E. This Declaration shall become effective among subscribing members when members having 65 per cent of the total voting power of members of the Fund have accepted it, and shall expire two years from the date on which it becomes effective unless it is renewed.
ARTICLE IX, SECTION 7

Privilege for Communications

INTERPRETATION OF ARTICLE IX, SECTION 7

WHEREAS the Executive Director for the [member concerned] has raised certain questions of interpretation of the provisions of Section 7 of Article IX of the Articles of Agreement of the Fund as to the treatment to be accorded by a member of the International Monetary Fund to official communications of the Fund, which questions of interpretation are set forth below;

WHEREAS the said Executive Director has requested that the Executive Directors, in accordance with Article XVIII* of said Articles, decide such questions of interpretation;

NOW THEREFORE, the Executive Directors hereby decide such questions of interpretation as follows:

Question No. 1:

Does Section 7 of Article IX of the Articles of Agreement of the Fund apply to rates charged for official communications of the Fund?

Decision on Question No. 1:

Yes. Section 7 of Article IX applies to rates charged for official communications of the Fund.

Question No. 2:

If a member exercises regulatory powers over the rates charged for communications, is it relieved of the obligation of Section 7, Article IX, by reason of the fact that the facilities for transmitting communications are privately owned or operated or both?

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

Dec. 534-3

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Decision on Question No. 2:

No. A member which exercises regulatory powers over the rates charged for communications is not relieved of its obligation under Section 7 of Article IX by reason of the fact that the facilities for transmitting such communications are privately owned or operated or both.

Question No. 3:

Is the member's obligation under Section 7 of Article IX satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations? For example, would the obligation of member "a", under Section 7 of Article IX, be satisfied if the rate charged the Fund for its official communications from the territory of member "a" to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b"?

Decision on Question No. 3:

No. The obligation of a member under Section 7 of Article IX is not satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations. For example, the obligation of member "a", under Section 7 of Article IX, would not be satisfied if the rate charged the Fund for its official communications from the territory of member "a" to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b".

Decision No. 534-3

February 20, 1950
ARTICLE XII, SECTION 3

Executive Directors

INTERPRETATION OF ARTICLE XII, SECTIONS 3(b) (i) AND 3(f)

The request for interpretation of the Articles of Agreement referred to the Executive Directors by Resolution No. 7 of the Board of Governors was considered... . It was unanimously agreed that Sections 3(b) (i) and 3(f) of Article XII should be interpreted to mean that any member having one of the five largest quotas at the date of the regular election or at any date between regular elections shall be entitled to appoint an Executive Director who will hold office until the next regular election without prejudice to the right of a subsequently admitted member to appoint a Director if it has one of the five largest quotas.

Decision No. 2-1
May 8, 1946

EXECUTIVE DIRECTORS: ARTICLE XII, SECTION 3(c)

Art. XII, Sec. 3(c), should be understood as providing that the two members entitled to appoint additional directors are determined by the largest absolute amounts by which 75% of members' quotas exceed the average holdings by the Fund of their currencies during the two years preceding an election of directors, provided, of course, that they are not already entitled to appoint directors under Art. XII, Sec. 3(b)(i).

In the calculation of average holdings under the provision, the Fund's special accounts for administrative purposes should not be included unless they exceed \( \frac{1}{10} \) of one percent of the member's quota nor will sundry cash accounts be included. A member should not be entitled to the benefit of Art. XII, Sec. 3 (c) where the average holdings of its currency by the Fund have been
EXECUTIVE DIRECTORS

reduced below 75% of its quota solely because of expenditures by the Fund for administrative purposes or because of the exclusion of the special accounts for administrative purposes from the calculation of average holdings.

Decision No. 574-2, May 18, 1950, as amended by Decision No. 2620-(68/141), November 1, 1968

ADDITIONAL APPOINTED DIRECTORS

The phrase "the preceding two years" as used in Art. XII, Sec. 3(f), shall be deemed to be the two-year period ending on the July 31 preceding the dates of regular biennial elections of Executive Directors. However, this decision shall be reconsidered if such regular elections are held in other months than September.

Decision No. 597-4, July 28, 1950

ADJUSTMENT OF QUOTA AND VOTING POWER

A change in the quota of a member between regular biennial elections will change by the same amount the voting power of the elected Executive Director who casts the votes of the member.

Decision No. 180-5, June 25, 1947

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ARTICLE XII, SECTION 7

Publication of Reports

REPORTING BY THE FUND OF OVERDUE OBLIGATIONS

The Executive Board decides that overdue financial obligations to the Fund of members having obligations overdue for six months or more will be reported in aggregate by category of obligation but without identifying the members involved, in the Fund's Annual Report, quarterly Financial Statements of the General Department and the SDR Department, yearbook issue of Balance of Payments Statistics, and International Financial Statistics.

Declarations of ineligibility to use the Fund's general resources will be reported in the Fund's Annual Report and will identify the members concerned, beginning with the 1985 Annual Report.

Decision No. 7931-(85/41)
March 13, 1985

PUBLICITY UPON DECLARATION OF INELIGIBILITY

Effective following the publication of the Annual Report for 1985, the Fund shall issue a press release upon the declaration of a member's ineligibility to use the general resources of the Fund and thereafter upon the restoration of the member's eligibility to use the Fund's general resources, and shall also include the information contained in such press releases, where pertinent, in the Annual Reports for the year concerned.

Decision No. 7999-(85/90)
June 5, 1985
ARTICLE XIV

Restrictions on Payments and Transfers: Withdrawal

MEANING OF "EXCEPTIONAL CIRCUMSTANCES" IN ARTICLE XIV, SECTION 4*

The following language in Article XIV, Section 4* of the Fund Agreement:

"The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement."

(a) applies at any time after the entry into force of the Fund Agreement and

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

Decision No. 117-1
January 6, 1947

*Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.
ARTICLE XV, SECTION 2

Valuation of the Special Drawing Right

METHOD OF VALUATION

1. Effective January 1, 1981, the value of one special drawing right shall be the sum of the values of specified amounts of the currencies listed in 2 below, the amounts of these currencies to be determined on December 31, 1980 in a manner that will ensure that, at the average exchange rates for the three-month period ending on that date, the shares of the currencies in the value of the special drawing right correspond to the weights specified for each currency in 2 below.

2. On the basis of changes in members' exports of goods and services and in official balances of members' currencies held by other members since the previous review of the method of valuation of the SDR conducted in March 1978, that the currencies and weights referred to in 1 above shall be as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Weight (In per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. dollar</td>
<td>42</td>
</tr>
<tr>
<td>Deutsche mark</td>
<td>19</td>
</tr>
<tr>
<td>French franc</td>
<td>13</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>13</td>
</tr>
<tr>
<td>Pound sterling</td>
<td>13</td>
</tr>
</tbody>
</table>

3. The list of the currencies that determine the value of the special drawing right, and the amounts of these currencies, shall be revised with effect on January 1, 1986 and on the first day of each subsequent period of five years in accordance with the following principles, unless the Fund decides otherwise in connection with a revision:

a. The currencies determining the value of the special drawing right shall be the currencies of the five members whose
VALUATION OF THE SPECIAL DRAWING RIGHT

exports of goods and services during the five-year period ending 12 months before the effective date of the revision had the largest value, provided that a currency shall not replace another currency included in the list at the time of the determination unless the value of the exports of goods and services of the issuer of the former currency during the relevant period exceeds that of the issuer of the latter currency by at least one per cent.

b. The amounts of the five currencies referred to in a. above shall be determined on the last working day preceding the effective date of the relevant revision in a manner that will ensure that, at the average exchange rates for the three-month period ending on that date, the shares of these currencies in the value of the special drawing right correspond to percentage weights for these currencies, which shall be established for each currency in accordance with c below.

c. The percentage weights shall reflect the value of the balances of that currency held at the end of each year by the monetary authorities of other members and the value of the exports of goods and services of the issuer of the currency over the relevant five-year period referred to in a. above, in a manner that would maintain broadly the relative significance of the factors that underlie the percentage weights in paragraph 2 above. The percentage weights shall be rounded to the nearest 1 per cent or as may be convenient.

4. The determination of the amounts of the currencies in accordance with 1 and 3 above shall be made in a manner that will ensure that the value of the special drawing right in terms of currencies on the last working day preceding the five-year period for which the determination is made will be the same under the valuation in effect before and after revision.

Decision No. 6631-(80/145) G/S
September 17, 1980

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SDR Valuation Basket—Guidelines for the Calculation of Currency Amounts

(1) Under all circumstances, the currency units will be determined in a manner which would ensure that the value of the SDR calculated on December 31 on the basis of the new basket will be the same as that actually prevailing on that day.

(2) The currency amounts calculated for the new basket will be expressed in two significant digits provided that the deviation of the percentage share of each currency in the value of the SDR, resulting from the application of the average exchange rates for October–December, from the percentage weight as determined under paragraph 3(c) of Executive Board Decision No. 6631-(80/145) adopted September 17, 1980 is the minimum on average and will not exceed one-half percentage point for any currency.

(3) If a solution cannot be obtained by the application of the principles set forth in (2) above, the calculation shall be made applying the same principles but expressing the amount of each currency in three significant digits, and if no solution is found with three significant digits then the calculation shall be made applying the same principles but expressing the amount of each currency in four significant digits.

(4) If more than one solution is found in the calculation at the level of two, three, or four significant digits, the solution that has the smallest average deviation will be employed.

Decision No. 8160-(85/186) G/S
December 23, 1985

Method of Collecting Exchange Rates for the Calculation of the Value of the SDR for the Purposes of Rule O-2(a)

1. For the purpose of determining the value of the United States dollar in terms of the special drawing right pursuant to
Rule O-2(a), the equivalents in United States dollars of the amounts of currencies specified in Rule O-1 shall be based on spot exchange rates against the United States dollar. For each currency the exchange rate shall be the middle rate between the buying and selling rates at noon in the London exchange market as determined by the Bank of England.

2. If the exchange rate for any currency cannot be obtained from the London exchange market, the rate shall be the middle rate at noon in the New York exchange market determined by the Fund on the basis of the buying and selling rates communicated by the Federal Reserve Bank of New York or, if not available there, the middle rate determined by the Fund on the basis of the buying and selling rates at the fixing in the Frankfurt exchange market communicated by the Deutsche Bundesbank. If the rate for any currency against the United States dollar cannot be obtained directly in any of these markets, the rate shall be calculated indirectly by use of a cross rate against another currency specified in Rule O-1.

3. If on any day the exchange rate for a currency cannot be obtained in accordance with 1 or 2 above, the rate for that day shall be the latest rate determined in accordance with 1 or 2 above, provided that after the second business day the Fund shall determine the rate.

Decision No. 6709-(80/189) S
December 19, 1980
ARTICLE XVII, SECTION 3

Special Drawing Rights: Other Holders

The terms and conditions on which other holders prescribed by the Fund may accept, hold or use SDRs are as follows:

1. Acceptance, Holding, and Use by Prescribed Holders

   (a) Acceptance and use

   A prescribed holder may accept or use special drawing rights (i) in exchange for an equivalent amount of a monetary asset other than gold in a transaction entered into by agreement with a participant, or another prescribed holder, or (ii) in an operation entered into by agreement with a participant or another prescribed holder in accordance with and on the same terms and conditions established at that time for participants by decisions of the Fund under Article XIX, Section 2(c).

   (b) Holding

   A prescribed holder may hold special drawing rights, subject to the provisions of this decision, accepted in accordance with (a) above or received as interest paid on its holdings of special drawing rights in accordance with Article XX, Section 1.

2. Acceptance and Use by Participants in Transactions and Operations with Prescribed Holders

   Participants may enter into transactions and operations by agreement with a prescribed holder in accordance with the prescriptions in paragraph 1(a) of this decision.


   The holding of special drawing rights and the acceptance and use of them in transactions and operations by a prescribed holder shall be governed by the provisions of the Articles, By-Laws, Rules and Regulations, and decisions of the Fund that apply from time to time to all holders of special drawing rights.
4. **Exchange Rates**

The Rules and Regulations and decisions of the Fund that determine the exchange rates applicable at the time of each use or acceptance of special drawing rights by a participant shall apply to each use or acceptance of them by a prescribed holder. A prescribed holder shall not levy any charge or commission in respect of a transaction involving special drawing rights.

5. **Information and Recording**

The Fund shall inform prescribed holders of matters relevant to the acceptance, holding, and use of special drawing rights by them. A prescribed holder shall inform the Fund promptly of the facts necessary to record any transactions or operations in which a prescribed holder accepts or uses special drawing rights.

6. **Consultation and Review**

(a) Consultation between the Fund and a prescribed holder shall be held at the request of the Fund or the prescribed holder with respect to the application of this decision or the decision prescribing the holder or with respect to transactions or operations entered into involving special drawing rights.

(b) The Executive Board shall review periodically this decision and decisions prescribing holders.

7. **General Undertaking**

Each prescribed holder shall collaborate with the Fund, participants, and other prescribed holders with respect to its acceptance, holding, and use of special drawing rights in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with the Articles and the terms and conditions prescribed by the Fund now or in the future for the acceptance, holding, and use of special drawing rights by prescribed holders.
8. Suspension

During any period in which a suspension is in effect under Article XXIII, Section 1 with respect to participants, the suspension shall apply to the same extent to prescribed holders.

9. Termination

(a) The prescription of a holder of special drawing rights may be terminated by the Fund by a decision of the Executive Board or by a notice from the prescribed holder in writing to the Fund at its principal office. Termination shall become effective on the date specified in the decision of the Executive Board but not earlier than the date of the decision, or when notice from the prescribed holder is received by the Fund at its principal office.

(b) A prescribed holder whose status as such has been terminated may continue to hold the special drawing rights it held on termination and to receive special drawing rights as interest on its holdings and may continue to use special drawing rights to dispose of them in transactions or operations in accordance with paragraph 1(a) above. A prescribed holder whose status has been terminated shall make arrangements, with the concurrence of the Fund, to dispose of its holdings of special drawing rights as expeditiously as possible, and shall exchange special drawing rights for a freely usable currency selected by the prescribed holder when requested by the Fund.

Decision No. 6467-(80/71) S
April 14, 1980

BANK FOR INTERNATIONAL SETTLEMENTS (BIS): CHANGE IN TERMS AND CONDITIONS OF PRESCRIPTION AS HOLDER OF SDRS

The Bank for International Settlements is authorized to accept, hold and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders,"...
Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980. These terms and conditions shall replace those set forth in Board of Governors Resolution No. 29-1, dated January 21, 1974.*

Decision No. 6484-(80/77) S
April 18, 1980

Andean Reserve Fund: Holder of SDRs

1. Prescription as a Holder

The Andean Reserve Fund is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of special drawing rights.

2. Terms and Conditions for Acceptance, Holding, and Use of Special Drawing Rights

The Andean Reserve Fund is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980.

Decision No. 6486-(80/77) S**
April 18, 1980

*The BIS was prescribed as a holder of SDRs by Board of Governors Resolution No. 29-1, effective January 21, 1974.

1. Prescription as a Holder

The Swiss National Bank (hereinafter referred to as "the Bank") is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of special drawing rights.

2. Terms and Conditions for Acceptance, Holding, and Use of Special Drawing Rights

(a) The Bank is authorized to accept, hold and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980.

(b) The Fund, through the General Resources Account, may use special drawing rights to repay indebtedness to the Bank or to pay interest on such indebtedness in accordance with the agreement under which the indebtedness was incurred.

(c) The Bank may accept special drawing rights paid by the Fund, through the General Resources Account, in repayment of indebtedness of the Fund to the Bank or in payment of interest on such indebtedness.

Decision No. 6485-(80/77) S
April 18, 1980
ARTICLE XVIII, SECTION 2

Allocation of Special Drawing Rights

Allocations to New Participants

Pursuant to Article XVIII, Section 2(d), it is decided that members that have, or will, become participants in the Special Drawing Rights Department between January 1, 1978 and December 31, 1978 and have informed the Fund that they wish to receive allocations of special drawing rights during the third basic period shall receive allocations in accordance with the Resolution of the Board of Governors on allocations of special drawing rights for the third basic period.

Decision No. 5956-(78/180) S
November 17, 1978

Pursuant to Article XVIII, Section 2(d) members that have, or will, become participants in the Special Drawing Rights Department by December 31, 1979 and have informed the Fund that they are willing to receive allocations of special drawing rights during the third basic period shall receive allocations in accordance with Board of Governors Resolution No. 34-3, adopted December 11, 1978.

Decision No. 6368-(79/191) S
December 26, 1979
ARTICLE XIX, SECTION 2

Special Drawing Rights: Additional Uses

Use of SDRs in Settlement of Financial Obligations

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may use SDRs to settle a financial obligation to the other participant, if

   (a) the obligation is denominated in
       (i) SDRs, or
       (ii) the currency of a member, or
       (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

   (b) the amount of SDRs to be used in the settlement of an obligation referred to in (a) (ii) or (a) (iii) above is equal in value, in terms of the SDR, at the time of settlement, to the amount of the obligation.

2. The calculations under 1(b) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Participants intending to use or acquire SDRs under 1(a) above shall inform the Fund of the denomination and amount of the obligation and the intended value date of the operation. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.
4. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6000-(79/1) S, December 28, 1978, as amended by Decision No. 6438-(80/37) S, March 5, 1980

USE OF SDRs IN LOANS

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may make a loan of SDRs to the other participant, if

   (a) the principal amount of the loan is denominated in
      (i) SDRs, or
      (ii) the currency of a member, or
      (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

   (b) the amount of SDRs used in a loan referred to in (a) (ii) or (a) (iii) above is equal in value, in terms of the SDR, at the time of the use, to the amount of the loan; and
(c) the borrower has undertaken the following obligations under the loan agreement:

   (i) if the loan is denominated in SDRs, to repay with the same amount of SDRs, or the equivalent, at the time of repayment, in the currency of a member on the basis of Article XIX, Section 7(a) and Rule O-2, or in the currency of a nonmember or another unit of account under (a)(iii) above in accordance with the arrangements for valuation referred to therein;

   (ii) if the loan is denominated in the currency of a member and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, on the basis of Article XIX, Section 7(a) and Rule O-2;

   (iii) if the loan is under (a)(iii) above and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, in accordance with the arrangements for valuation referred to in (a)(iii) above.

2. The calculations under 1(b) and (c) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Repayment and the payment of interest with SDRs shall be made in accordance with the prescription of the use of SDRs in the settlement of financial obligations.

4. Participants intending to lend or borrow SDRs under this prescription shall inform the Fund of the amount and value date of the loan, the denomination, rate of interest, maturity, and means of repayment agreed between the parties. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.
5. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6001-(79/1)S
December 28, 1978

Use of SDRs in Pledges

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may pledge SDRs to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage in an operation involving the pledge of SDRs as pledgor or pledgee shall inform the Fund of the terms of the pledge relating to the amount and denomination of the obligation to be secured by the pledge, the amount of SDRs to be pledged, the effective date of the pledge, and the party or other entity designated by the parties to the operation to give instructions to the Fund to terminate the
pledge in whole or in part or to transfer the pledged SDRs to the pledgee. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a pledge of SDRs under this prescription only upon receipt by the Fund of instructions from the parties to the operation. A change in the terms of the pledge referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the operation. The amount of SDRs to be pledged shall be set aside and shall not be used during the period of the pledge except in accordance with instructions authorized by the terms of the pledge or in order to discharge an obligation of the pledgor under the Articles of Agreement.

4. The amount of SDRs to be transferred to the pledgee in accordance with instructions authorized by the terms of the pledge in satisfaction of the secured obligation shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the transfer. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before pledged SDRs are to be transferred

   (a) in accordance with the terms of the pledge; or

   (b) in order to discharge an obligation of the pledgor under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of pledged SDRs, or in which the pledge of SDRs could be restored.
7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6053-(79/34) S,
February 26, 1979,
as amended by
Decision No. 6438-(80/37) S,
March 5, 1980

USE OF SDRs IN TRANSFERS AS SECURITY FOR THE PERFORMANCE OF FINANCIAL OBLIGATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may transfer SDRs to the other participant in order to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage, as transferor or transferee, in an operation involving the transfer of SDRs as security shall inform the Fund of the terms of the security arrangement relating to the amount and denomination of the obligation to be secured, the amount of SDRs to be transferred, the effective date.
of the transfer, any agreement by the parties regarding SDRs received from the Fund as interest in respect of the transferred SDRs, and the party or other entity designated by the parties to the operation to give instructions to the Fund for the retransfer. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a transfer of SDRs under this prescription upon the receipt by the Fund of instructions from the parties to the operation. A change in the terms of the security arrangement referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the arrangement. At the request of the parties, the amount of SDRs transferred as security shall be set aside and shall not be used during the period of the security arrangement except in accordance with instructions authorized by the terms of the arrangement or in order to discharge an obligation of the transferee under the Articles of Agreement.

4. The amount of SDRs transferred as security shall be retransferred in accordance with instructions authorized by the terms of the security arrangement, or retained in the absence of such instructions. The amount of SDRs retained shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the retention. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of retention or of the second business day preceding the date of retention if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before the amount of SDRs held by the transferee as security are to be

   (a) retransferred in accordance with the terms of the arrangement; or

   (b) reduced in order to discharge an obligation of the transferee under the Articles of Agreement.
6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of the SDRs held as security, or in which these holdings could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6054-(79/34) S,
February 26, 1979,
as amended by
Decision No. 6438-(80/37) S,
March 5, 1980

USE OF SDRs IN SWAP OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may engage in an operation by which (a) one of the parties transfers to the other party SDRs in exchange for an equivalent amount of currency or another monetary asset, other than gold, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2, and (b) the parties undertake to reverse the exchange within a period and at an exchange rate agreed by them.

2. Calculations for the purpose of 1(a) above shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed by the parties.

3. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.
4. The parties may agree on the payment of compensation in the event that, for any reason, the reversal of the transfer in accordance with 1(b) above is not carried out.

5. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of:
   (a) The amount of SDRs and the period of the operation;
   (b) the monetary asset, the exchange rate and the value date for the exchange under 1(a) above;
   (c) the monetary asset, the exchange rate and the value date for the reversal of the exchange;
   (d) any agreement for the payment of interest, or compensation in accordance with 4 above; and
   (e) any modification of these terms.

6. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

7. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

8. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

9. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6336-(79/178) S
November 28, 1979

USE OF SDRS IN FORWARD OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

Dec. 6337-(79/178) S 342
1. A participant, in agreement with another participant, may engage in an operation by which the participant undertakes to transfer to the other participant SDRs at a specified future date more than three business days after the date of the agreement, in exchange for an agreed amount of currency or another monetary asset, other than gold.

2. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

3. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of
   (a) the amount of SDRs and the period of the operation;
   (b) the monetary asset, the exchange rate and the value date for the exchange; and
   (c) any modification of these terms.

4. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

6. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

7. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6337-(79/178) S
November 28, 1979
USE OF SDRs IN DONATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may donate SDRs to the other participant.

2. Participants intending to donate or receive SDRs pursuant to this prescription shall inform the Fund of the amount of SDRs and the value date for the transfer.

3. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

5. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6437-(80/37) S
March 5, 1980

USE OF SDRs IN PAYMENT OF SUBSIDY

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A prescribed holder, by agreement with a participant, may transfer SDRs to the participant in discharge of subsidy payable from the Supplementary Financing Facility Subsidy Account, at the instruction of the Fund as Trustee of that Account.

2. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 8186-(86/9) SBS/S
January 15, 1986

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USE OF SDRs IN OPERATIONS UNDER STRUCTURAL ADJUSTMENT FACILITY

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A prescribed holder, by agreement with a participant and at the instruction of the Fund, may transfer SDRs to the participant in disbursement of a loan payable from the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. A participant, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to the prescribed holder in repayment of loans, and/or payment of interest on loans, under the Facility.

3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9.

*Decision No. 8239-(86/56) SAF*

*March 26, 1986*
ARTICLE XIX, SECTION 5

Designation of Participants to Provide Currency

REVIEW OF RULES FOR DESIGNATION AND METHOD OF CALCULATING DESIGNATION AMOUNTS*

The Executive Directors approve the summary and conclusions set out below on the understanding that if during the first year after a participant receives an allocation for the first time, designation would bring the participant close to the acceptance limit, the staff will take steps to moderate the rate at which the limit is approached.

Decision No. 6209-(79/124) S
July 24, 1979

Summary and Conclusions

1. The designation system has a key role in guaranteeing the usability of the SDR. However, provided that the SDR is regarded as an attractive reserve asset, participants may make less use of their SDR holdings in transactions with designation and may rely more on transactions and operations by agreement between participants, as well as payments to the Fund. The volume of transactions with designation would then depend mainly on the extent to which the Fund transfers SDRs to purchasing members that use the SDRs to obtain foreign exchange in transactions with designation.

2. The general structure of the more important provisions relating to designation is as follows:

(a) The major principles of designation are contained in Article XIX, Section 5. A participant whose balance of payments and gross reserve position is sufficiently strong shall be subject to designation; and the Fund shall designate these participants "in

*See also Decision No. 6273-(79/158) G/S, September 14, 1979, on pages 104-105.
such manner as will promote over time a balanced distribution of holdings of special drawing rights among them.” These principles can be supplemented by other principles that the Fund may adopt at any time.

(b) To promote a balanced distribution of SDR holdings, the Fund implements the rules for designation in Schedule F. These rules embody the so-called “excess holdings” principle, which aims to promote over time equality in participants’ “excess holding ratios,” i.e., their holdings of SDRs in excess of their net cumulative allocations as a proportion of their gold and foreign exchange holdings. The rules for designation can be reviewed at any time and changed, if necessary, by a decision of the Executive Board taken by a majority of votes cast.

3. The following conclusions are suggested as regards the principles on which the calculation of the designation amounts is based.

(a) The choice of “excess holdings” rather than total holdings of SDRs tends to concentrate designation on net users of SDRs to restore their holdings to the level of their allocations. The alternative “holdings” principle would tend to shift the incidence of designation away from participants that have used SDRs to those that have relatively large holdings of gold and foreign exchange. The latter approach may become more suitable as the attractiveness of the SDR increases, but it is not recommended at this time.

(b) Participants’ gold and foreign exchange holdings are used as a basis for harmonizing excess holdings of SDRs, consistent with the approach that the staff has suggested for preparing the operational budgets. An alternative technique would be to distribute amounts of designation on the basis of participants’ unused acceptance obligations in relation to their allocations. It would seem preferable, however, not to divorce the designation amounts from participants’ reserve holdings as these are considered to be the best available measure of the ability of participants to provide currency when designated by the Fund.
(c) The speed at which the harmonization of ratios proceeds depends importantly on the particular method adopted for calculating designation amounts for individual participants. The present method has promoted harmonization at a moderate pace, striking a balance between the objective of restoring the holdings of net users of SDRs and the desire to maintain a fairly broad list of participants for designation. The method has the advantage of flexibility and has been adjusted successfully from time to time to meet changing circumstances.

4. Under the Articles of Agreement, the amount of SDRs a participant can be required to accept in designation is restricted to the point where its excess holdings are twice its allocation, i.e., the acceptance limit. For certain participants, this limit is reached rather more rapidly than for others because their reserves are very large in relation to their SDR allocations. While it would be possible to conceive of arrangements that would slow down the approach to the acceptance limit, the staff's view is that such action is neither necessary nor desirable.

5. The method of executing designation plans is established for each quarterly period at the time the plan is adopted by the Executive Board. It is proposed that this procedure be continued. The approach generally followed in the execution of designation plans has been to designate participants in broad proportion to the maximum amounts for which they are included in the plan, while avoiding undue fragmentation of individual transactions. From time to time exceptions may be proposed, such as have been agreed by the Executive Board in the past when circumstances warranted. If during the quarterly period covered by a designation plan a proposal is pending with the Executive Board for the exclusion of a participant from designation, further designation of the participant concerned would be avoided to the extent practicable.

6. Over more than nine years of actual experience, the designation mechanism has functioned satisfactorily. Actual
Designations have borne out the general emphasis that was expected to result from the "excess holdings" principle. About four fifths of total designation has been directed to participants whose holdings of SDRs were below their allocations as a result of prior uses. At the same time, a wide range of both developed and less developed countries has been called upon to provide currency in the designation process.

7. The major volume of transactions with designation over the last two and a half years has resulted from transfers of SDRs to participants making purchases from the General Resources Account; these participants have generally used the SDRs in transactions with designation, although a not insignificant proportion has been retained by the recipients, mainly to meet the reconstitution obligation or to make payments to the Fund.

8. In the future, the attractiveness of the SDR, and the increasing scope for transactions and operations by agreement, may reduce the use of SDRs from participants' own holdings in transactions with designation. However, with the Fund receiving approximately SDR 5 billion as a result of quota increases under the Seventh Review, there is likely to be a continuing volume of transactions with designation as a result of transfers of SDRs by the Fund to members making purchases, as a way of channeling SDRs back into participants' reserves.

9. In the light of the generally satisfactory experience with the designation system, the staff does not feel it necessary to propose any changes in the present principles and procedures for designation.
Reconstitution

ABROGATION OF RULES FOR RECONSTITUTION

The Executive Board, having reviewed the rules for reconstitution in accordance with Article XIX, Section 6(b), decides to abrogate with effect from April 30, 1981:

1. The rules for reconstitution under Schedule G, paragraph 1(a); and


Decision No. 6832-(81/65)S
April 22, 1981
**Article XIX, Section 7(a)**

**Exchange Rates**

**Representative Rate for the European Currency Unit (ECU)**

After consultation with the European Monetary Cooperation Fund, the representative rate for the ECU in terms of the SDR under Article XIX, Section 7(a) and Rule 0-2 shall be obtained by using the reciprocal of the U.S. dollar equivalent of the ECU as calculated and published by the European Commission and the SDR equivalent of one U.S. dollar as calculated and published by the Fund for the same day. If both these rates for the U.S. dollar are not available for the same day, the rates for the next preceding day on which both rates are available will be used. The rate determined by this method shall be applied in connection with a transfer of SDRs as part of the settlement of a member's debt with the European Monetary Cooperation Fund. The European Monetary Cooperation Fund and the Fund will consult concerning any change in the method of calculating the representative rate for the ECU in terms of the SDR.

*Decision No. 7041-(82/8)G/S*

*January 13, 1982*
ARTICLE XX, SECTION 2

Charges

PAYMENT OF NET CHARGES AND ASSESSMENT IN THE SDR DEPARTMENT FOR THE FINANCIAL YEAR ENDED APRIL 30, 1982

The Executive Board notes the course of action set out in EBS/82/80.

Decision No. 7116-(82/68)S
May 7, 1982

EBS/82/80

The problems arising out of these participants' failure to hold adequate SDRs or to acquire them from other participants or the Fund, to meet net charges and assessments have been dealt with as follows:

(i) Since [members] had sufficient SDRs to pay assessments, these amounts were collected first by debiting their respective SDR accounts. The balance of their SDR holdings were applied toward the payment of net charges.

(ii) [Member], not having any SDRs, was not in a position to pay its assessment of SDR 4,669. This amount will be carried as a receivable in the General Resources Account until such time as it can be collected.

(iii) The unpaid balance of net charges, SDR 15,419,868 will be shown separately in the balance sheet of the Special Drawing Rights Department under the caption "Charges due but not paid." This item will appear below "Net cumulative allocations of SDRs to participants" and the total of the two items will correspond to the total in the balance sheet of holdings of SDRs by participants.

(iv) When these participants acquire sufficient SDRs to pay the charges due, the entry will be cancelled in accordance
with Article XX, Section 5 which states, in part that "special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled."

The course of action outlined above follows from the application of the Articles of Agreement, and was adopted in 1978 when one participant did not hold sufficient special drawing rights to pay the assessment and charges due with respect to the financial year ending April 30, 1978. While the procedure has already been adopted by the Executive Board for the situation described, it is considered appropriate that the Executive Board again note the course of action taken.
ARTICLE XXVI

Interpretation

In response to the request of the Government of [a member], and after having considered the arguments put forward by that Government, the Executive Directors, acting pursuant to Article XVIII(a)* of the Fund Agreement, interpret Article XV, Section 2** as follows:

Action may be taken by the Fund to require a member to withdraw when the following conditions have been met:

1. The member has been declared ineligible to use the resources of the Fund pursuant to Article XV, Section 2(a)**

2. A reasonable time has passed since the member was declared ineligible to use the resources of the Fund pursuant to Article XV, Section 2(a),** whether or not a fixed period of time had been prescribed in connection with such action, and the member persists in failing to fulfill its obligations;

3. The member has been informed in reasonable time of the complaint against it and given an adequate opportunity to state, both orally and in writing, any fact or legal argument relevant to the issue before the Fund.

Decision No. 343-(54/47)
August 11, 1954

The Board of Governors confirmed the foregoing decision on September 28, 1954.

*Corresponds to Article XXIX(a) of the Articles of Agreement after the Second Amendment.
**Corresponds to Article XXVI, Section 2(a) of the Articles of Agreement after the Second Amendment.
Calculation of Reserve Tranche: Exclusion of Purchases and Holdings

EXCLUSION OF PURCHASES AND HOLDINGS UNDER COMPENSATORY FINANCING OF EXPORT FLUCTUATIONS

I.*

II. Pursuant to Article XIX(j)** the Fund decides that purchases and holdings under policies on the use of the Fund's resources for compensatory financing of export fluctuations shall be excluded for the purposes of the definition of gold tranche purchases in that provision.

III.*

IV.*

Decision No. 2836-(69/87)
September 15, 1969

EXCLUSION OF PURCHASES AND HOLDINGS UNDER COMPENSATORY FINANCING OF FLUCTUATIONS IN THE COST OF CEREAL IMPORTS

11. Purchases under this Decision and holdings resulting from such purchases shall be excluded pursuant to Article XXX(c) for the purpose of the definition of "reserve tranche

*Not included in this volume.

**Corresponds to Article XXX (c) (i) of the Articles of Agreement after the Second Amendment.

†For these paragraphs, see pages 89-94.
purchase." For the purpose of applying the Fund's policies on the use of its resources, holdings resulting from the use of the Fund's resources under the policy set forth in this Decision shall be considered to be separate from the holdings resulting from the use of the Fund's resources under any other policy, except the policy set forth in Decision No. 6224.

Decision No. 6860-(81/81), May 13, 1981, as amended by Decisions Nos. 7602-(84/3), January 6, 1984, and 7967-(85/69), May 3, 1985

EXCLUSION OF PURCHASES AND HOLDINGS UNDER BUFFER STOCK FACILITY

With effect from the date of the Second Amendment of the Fund's Articles, purchases after that date under the Buffer Stock Facility (Decision No. 2772-(69/47), June 25, 1969, as amended), and holdings resulting from all purchases under the Facility, shall be excluded pursuant to Article XXX(c)(ii) for the purpose of the definition of "reserve tranche purchase."

Decision No. 5591-(77/163)
December 5, 1977

†For these paragraphs, see pages 89-94.
EXCLUSION OF PURCHASES UNDER OIL FACILITY FOR PURPOSE OF DEFINITION OF "RESERVE TRANCHE PURCHASE"

With effect on the date of the Second Amendment of the Articles of Agreement, the Fund's holdings of currencies acquired in purchases under Executive Board Decision No. 4241-(74/67), June 13, 1974 and Executive Board Decision No. 4634-(75/47), April 4, 1975, shall be excluded pursuant to Article XXX(c)(iii) for the purpose of the definition of "reserve tranche purchase."

Decision No. 5371-(77/51)
April 8, 1977, effective April 1, 1977

EXCLUSION OF PURCHASES UNDER SUPPLEMENTARY FINANCING FACILITY

9. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases outstanding under this decision that have been made with supplementary financing. After the effective date of the Second Amendment of the Articles of Agreement purchases under this decision and holdings resulting from purchases outstanding under this decision will be excluded under Article XXX(c).

Decision No. 5508-(77/127)
August 29, 1977

*For these paragraphs, see pages 39-45.
EXCLUSION OF CREDIT TRANCHES AND EXTENDED FACILITY

1. Purchases in the credit tranches or under extended arrangements (Decision No. 4377-(74/114), September 13, 1974, as amended), and holdings resulting from such purchases, shall be excluded pursuant to Article XXX(c)(iii) for the purpose of the definition of "reserve tranche purchase."

2.* .................................................................

3.* .................................................................

4.* .................................................................

5. The Fund will review this decision before April 30, 1984.

Decision No. 6830-(81/65)
April 22, 1981, effective May 1, 1981

EXCLUSION OF PURCHASES UNDER POLICY ON ENLARGED ACCESS WITH BORROWED RESOURCES

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12. The Fund will apply its credit tranche policies as if the Fund's holdings of a member's currency did not include holdings resulting from purchases under this decision that have been made with borrowed resources. Purchases under this decision with borrowed resources and holdings resulting from these purchases will be excluded under Article XXX(c).

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Decision No. 6783-(81/40)
March 11, 1981

*For information on paragraphs 2-4, see page 73.
**For these paragraphs, see pages 47-50.
Balances Held in Administrative Accounts

The balances held in the administrative accounts of the Fund, to the extent that they are not in excess of 0.1 percent of a member's quota, shall not be considered as part of the Fund's holdings of a member's currency for the purpose of determining a member's reserve tranche position in the Fund and for the calculation of holdings for the purposes of charges (Article V, Section 8(b)(ii)); remuneration (Article V, Section 9(a)); and the determination of a member's entitlement to appoint an Executive Director (Article XII, Section 3(c)).

Decision No. 7060-(82/23)
February 22, 1982
ARTICLE XXX(f)

Freely Usable Currencies

Pursuant to Article XXX(f), and after consultation with the members concerned, the Fund determines that until further notice the deutsche mark, French franc, Japanese yen, pound sterling, and U.S. dollar are freely usable currencies.

Decision No. 5719-(78/46)
March 31, 1978
GENERAL

Trust Fund

1. The Executive Directors of the International Monetary Fund (the "Fund") adopt the Instrument to Establish the Trust Fund (the "Instrument") that is annexed to this Decision.

2. The objective of the Trust Fund (the "Trust") will be to provide balance of payments assistance on concessional terms to the members listed in Annex A* to the Instrument that qualify for assistance in either or both of the periods July 1, 1976 through June 30, 1978 and July 1, 1978 through June 30, 1980.

3. The Fund will review the Instrument, and in particular the list, and the criteria of eligibility for inclusion, in Annex A, before January 1, 1978. The following provisions of the Instrument may not be modified: Section I, Paragraphs 1 and 2 (c); Section II, Paragraphs 4 (d) and 5 (a); Section III, Paragraphs 1, 2, and 3; Section IV, Paragraph 1; and Section V, Paragraph 2. Any modification will affect only loans made after the effective date of the modification, provided that the Fund may decide that any modification that is favorable to eligible members will apply to the future performance of obligations under loans already made.

4. The amounts in excess of the capital value that are available from the sales of gold made after the second amendment pursuant to paragraph 7(b) of Schedule B of the Articles, as amended, will continue to be used to provide balance of payments assistance in accordance with the Instrument for the benefit of the members listed in Annex A.

5. The audit committee selected under Section 20 of the Fund's By-Laws will audit the financial records and transactions of the Trust. The audit will relate to the period representing the fiscal year of the Fund.

6. The expenses of conducting the business of the Trust will be paid by the Fund from the General Account, which will be reimbursed annually by the Trust on the basis of a reasonable estimate of these expenses by the Fund.

7. The Fund may decide that the Trustee will undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(3) of the Communiqué of the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

Decision No. 5069-(76/72)
May 5, 1976

Instrument to Establish the Trust Fund

Introductory Section

In order to help fulfill the purposes of the International Monetary Fund (the "Fund") as stated in Article I of the Articles of Agreement, including the promotion of cooperation on international monetary matters between its members and the Fund and among the members of the Fund, there shall be established a Trust Fund (the "Trust"), which shall be administered by the Fund as Trustee. The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. Purposes and Resources of the Trust

Paragraph 1. Purposes

The Trust shall assist in fulfilling the purposes of the Fund by providing additional balance of payments assistance on conces-
sional terms to support the efforts of eligible members that qualify for assistance to carry out programs of balance of payments adjustment.

Paragraph 2. Resources

(a) The resources of the Trust shall consist of gold and currencies sold, donated, or lent to the Trust, income from investments and loans, and the proceeds of repayment of loans or of disinvestment.

(b) A transferor may make a single transfer of resources to the Trust or transfers of resources from time to time during the period in which the Trust is providing balance of payments assistance. The Trustee shall invite transferors of resources to inform it of the form in which, and the procedures by which, they will make transfers.

(c) A transferor of resources that makes a transfer associated with the sale of gold by the Fund shall be understood to have agreed that the transfer is an irrevocable transfer within the meaning of Section IV, Paragraph 1 and Section V, Paragraph 2.

Section II. Operations of the Trust

Paragraph 1. Form of balance of payments assistance

Balance of payments assistance shall be provided to eligible members that qualify for assistance for the first period July 1, 1976 through June 30, 1978 or for the second period July 1, 1978 through June 30, 1980, or for both periods, in the form of loans on terms consistent with this Instrument.

Paragraph 2. Eligible members

Eligible members shall be those members of the Fund that are listed in Annex A. An eligible member shall qualify for assistance if it satisfies the conditions of Paragraph 3 of this Section.
Paragraph 3. Conditions for assistance

(a) An eligible member shall consult the Managing Director of the Trustee before making a request for assistance.

(b) Before approving a request, the Trustee shall be satisfied that the member has a need for balance of payments assistance ("need") and is making a reasonable effort to strengthen its balance of payments position. The need of a member shall be assessed on the basis of the member's balance of payments position, its reserve position, and developments in its reserves.

(c) A member shall be deemed to be making a reasonable effort within the meaning of subparagraph (b) of this Paragraph if the member has presented to the Fund, in connection with a stand-by arrangement or extended arrangement granted by the Fund or in connection with a purchase from the Fund in the credit tranches, a program for twelve months that,

(i) for the first period in Paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1976 or not later than December 1, 1977; and

(ii) for the second period in Paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1978 or not later than November 30, 1979.

A program for one period in Paragraph 1 of this Section shall not include any months included in a program submitted in connection with a request for the other period.

(d) The Fund, in considering a member's program as described in subparagraph (c) of this Paragraph, shall assess, in accordance with subparagraph (b) of this Paragraph, the need of the member during the twelve months of the program. This assessment shall be deemed to determine the need of the member for assistance from the Trust during the period in Paragraph 1 of this Section within which the program falls, provided that the extent of the need assessed in connection with one program may
be increased on the basis of an assessment made in connection with another program during the same period.

(e) If a member that wishes to qualify for assistance does not come within subparagraph (c) of this Paragraph, it shall present to the Trustee, when requesting assistance, a program for twelve months as required by subparagraph (c), and shall satisfy the Trustee that the program is in accordance with subparagraph (b) of this Paragraph. In making its determination under subparagraph (b) of this Paragraph, the Trustee shall apply the criteria applied by the Fund to a request for a purchase in the first credit tranche. The Trustee shall assess the member's need when the program is presented.

(f) The assessment of a member's need and the finding that the member is making a reasonable effort to strengthen its balance of payments position shall not be re-examined during the twelve months of the program for which the assessment and finding were made. There shall be no re-examination in connection with disbursements made after the twelve months with respect to the period in Paragraph 1 of this Section for which the assessment and finding were made unless the Trustee determines that the member's circumstances have changed substantially in that period. In any re-examination, the Trustee shall give the member the benefit of any reasonable doubt in arriving at a new assessment of the member's need or a new finding with respect to its effort to strengthen its balance of payments position during that period. Repurchases in respect of the use of the Fund's resources will be taken into account in determining the extent of a member's need.

(g) In considering a program in support of a request for assistance in the second period in Paragraph 1 of this Section, and in determining whether the member is making a reasonable effort within the meaning of subparagraph (b) of this Paragraph, the Trustee shall take into account the progress made by the member toward strengthening its balance of payments position under a program in the first period.
Paragraph 4. Terms and conditions of loans from the Trust

(a) The terms and conditions of a loan to a member shall prescribe that it shall repay each disbursement under the loan in ten equal semiannual installments, which shall begin not later than the end of the first six months of the sixth year, and be completed at the end of the tenth year, after the date of the disbursement.

(b) Interest shall be charged at the rate of one-half of one percent per annum on the outstanding balance of a loan and shall be paid in semiannual installments.

(c) Loans shall be expressed in special drawing rights, and the value of a currency in terms of the special drawing right shall be determined in accordance with the regulations of the Fund in effect on the date for which the calculation is made.

(d) Toward the end of the period of five years after the first disbursement under the first loan made under this Instrument, the Trustee shall review, in the light of circumstances and on the basis of uniform criteria, the repayment terms of outstanding loans.

(e) On the request of a member when repayment of an installment is due under a loan, the Trustee may reschedule the repayment if the Trustee finds that repayment on the due date would result in serious hardship for the member, provided that the rescheduling would not impair the ability of the Trust to meet its liabilities.

Paragraph 5. Amounts available for disbursement

(a) The amounts available for disbursement in respect of a period in Paragraph 1 of this Section shall be (i) the amounts realized by the Trust from the sales of one-half of the gold to be made available to the Trust, whether or not sold during the period, and any income from the investment of the proceeds of these sales, and (ii) the amounts of other transfers of resources to the Trust and other income of the Trust received during the
period. The amount available for disbursement in respect of a period shall be expressed for all eligible members that qualify for assistance during that period as the same percentage of their quotas in effect on December 31, 1975 or to which they had consented before that date. No member shall receive disbursements in excess of its need.

(b) Interim disbursements may be made from time to time in respect of a period in Paragraph 1 of this Section. The last installment in respect of a period shall be made as soon as practicable after the end of the period.

Section III. Administration of the Trust

Paragraph 1. Trustee

(a) The Trust shall be administered by the Fund as Trustee. Except as otherwise required by the provisions of this Instrument or as determined by the Trustee, the Trust shall be administered in accordance with the same rules and procedures, including administrative rules and procedures, that apply to operations and transactions on the account of the Fund.

(b) The Trustee, acting through its Managing Director, is authorized (i) to make arrangements to establish special accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary or expedient, and (ii) to take all other administrative measures that the Trustee deems necessary or expedient in order to carry out the purposes of this Instrument.

(c) Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

Paragraph 2. Separation of assets and accounts

(a) The resources and records of the Trust shall be kept separate from the assets and records of all other Accounts of the Fund.
(b) The Trustee may postpone disbursement of an amount of the proceeds of the sale of gold that it deems necessary for use as working capital in the administration of the Trust.

(c) The resources of the Trust shall be used only in accordance with this Instrument and shall not be used to discharge liabilities or to meet losses incurred by the Fund in the administration of its other Accounts. The property and assets of the Fund held in its other Accounts shall not be used to discharge liabilities or to meet losses arising out of administration of the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial records and transactions of the Trust. The audit shall relate to the fiscal year of the Fund.

Paragraph 3. Reimbursement of expenses

The General Account of the Fund shall be reimbursed annually by the Trust in respect of the expenses of conducting the business of the Trust that are paid from the General Account. Reimbursement shall be made on the basis of a reasonable estimate of these expenses by the Fund.

Paragraph 4. Investment and other operations and transactions

(a) The Trustee may invest balances of currency held by the Trust in marketable obligations of international financial organizations or in marketable obligations issued by, and denominated in the currency of, the country whose currency is used to make the investment, provided that the concurrence is obtained of the country whose currency is used for investment.

(b) The Trustee may sell or exchange any of the resources of the Trust or use any of the resources, other than gold, as security for any loans to the Trust, provided that the concurrence is obtained of the members whose currencies are exchanged.

(c) The Trustee may establish such reserves for the purposes of the Trust as it deems appropriate.
(d) The Trustee shall discharge any obligations undertaken in connection with transfers that were not irrevocable within the meaning of Section I, Paragraph 2(c), and subject thereto may transfer to the Special Disbursement Account of the Fund any amounts received in the repayment of loans.

Section IV. Annual Report and Modifications

Paragraph 1. Modifications

If Paragraph 1 of Section II or the list of eligible members in Annex A is modified, a transferor may declare that it will make no further transfers to the Trust, and shall be entitled to request and obtain the return of an amount equivalent to that part of its transfer that has not been used. The unused part to which it shall be entitled shall be that proportion of the total of all unused amounts represented by its transfers in relation to all other transfers. No part of this Paragraph 1 shall apply to transfers that are irrevocable transfers under Section I, Paragraph 2(c).

Paragraph 2. Report

The Trustee shall report on the operation of the Trust in the annual report of the Executive Directors of the Fund to the Board of Governors of the Fund and shall include in that annual report the report of the audit committee on the Trust.

Section V. Period of Operation and Liquidation

Paragraph 1. Period of operation

The Trust established by this Instrument shall remain in effect for as long as is necessary to conduct and to wind up the business of the Trust.

Paragraph 2. Liquidation

When a decision is taken to liquidate the Trust, the resources of the Trust shall be used first to pay administrative expenses,
and then to discharge the terms of transfers other than irrevocable transfers. The remainder of the resources, if any, shall be transferred to the Fund before, and to the Special Disbursement Account of the Fund after, the second amendment of the Articles of the Fund.

Section VI. Other Activities of the Trust

The Trustee may undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(3) of the Communiqué of the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

Review of Instrument to Establish the Trust Fund and List of Eligible Members

1. Section II, Paragraph 2 shall read:

"(a) Eligible members for the first period in Paragraph 1 of this Section shall be those members of the Fund that are listed in Annex A.*

(b) Eligible members for the second period in Paragraph 1 of this Section shall be those members of the Fund that are listed in Annex B.**

(c) An eligible member shall qualify for assistance if it satisfies the condition of Paragraph 3 of this Section."


TRUST FUND

2. In Section II, Paragraph 3(c)(i) the word "predominantly" is change to "partly" and "...December 1, 1977" is changed to "...June 1, 1978."


Decision No. 5563-(77/150) TR
October 28, 1977

TRUST FUND: DIVERSIFICATION OF INVESTMENTS

(a) Amendment of Section III, Paragraph 4(a)
   of the Trust Instrument

Section III, Paragraph 4(a) of the Instrument to Establish the Trust Fund annexed to Decision No. 5069-(76/72), adopted May 5, 1976, is modified to read as follows:

The Trustee may invest balances of currency held by the Trust with the concurrence of the member whose currency is to be used. The Trustee may invest in (i) marketable obligations of international financial organizations, (ii) marketable obligations denominated in special drawing rights issued by members or national official financial institutions of members, (iii) marketable obligations issued by, and denominated in the currency of, the member, or its national official financial institutions, whose currency is used to make an investment, and (iv) deposits denominated in special drawing rights with commercial banks.

Decision No. 5972-(78/189)
December 4, 1978

(b) Diversification of Trust Fund Investments

1. The Fund, recognizing that the SDR is the unit of account in which the assets of the Trust established by Decision No. 5069-(76/72), adopted May 5, 1976, are valued, concludes
that it would be desirable to continue to maintain, in a manner compatible with the operational needs of the Trust, the currency assets of the Trust, other than those that need to be distributed directly to developing countries in proportion to their quotas on August 31, 1975, in assets denominated in SDRs or in a combination of currencies that would, to the maximum extent practicable, correspond to the composition of the SDR basket.

2. The Managing Director shall place in deposits, denominated in SDRs, with the Bank for International Settlements (BIS) the profits from the gold sales realized in the remainder of the auctions to be held under Paragraph 7, Schedule B, with the exception of the portion of these profits that is to be distributed directly to developing countries in proportion to their quotas on August 31, 1975, unless the Managing Director considers that the terms offered by the BIS on an intended deposit denominated in SDRs are not sufficiently attractive. In that event the Managing Director shall inform the Executive Board and make other proposals to it for investment in SDR-denominated obligations, which may include obligations of international financial organizations or members or national official financial institutions of members or commercial banks. If it is not possible to make investments in SDR-denominated obligations on terms that are sufficiently attractive, the Managing Director shall make other proposals for investment.

\[ \text{Decision No. 5973-(78/189) TR} \]
\[ \text{December 4, 1978} \]

**Distribution to Developing Countries of Profits from Gold Sales: Authority to Distribute Profits Through Trust Fund**

The Trustee is authorized to distribute through the Trust the profits from the sale of gold for the benefit of developing countries as referred to in paragraph 7 of the Executive Board
TRUST FUND

Decision No. 5069-(76/72), adopted May 5, 1976 and Section VI of the Instrument to Establish the Trust Fund.

Decision No. 5709-(78/41) TR
March 23, 1978

TRUST FUND: PROCEDURES FOR FINAL PAYMENTS OF PROFITS AND LOANS FOR THE PERIOD JULY 1, 1976 TO JUNE 30, 1978

I. The Trust will make final disbursements of loans for its first period of two years, in accordance with the procedures and conclusions set out in TR/78/24 (5/19/78) and Supplement 1 (6/21/78).*

II. The Trustee will distribute through the Trust Fund the profits from sales of gold for the benefit of developing members for the total amounts shown in the Attachment to TR/78/24 and in accordance with the procedures outlined in that paper and its supplement.

Decision No. 5832-(78/95) TR
June 26, 1978

TRUST FUND: SECOND PERIOD

(a) Timing of Loan Disbursements

The timing of the loan disbursements in the remainder of the Trust's second two-year period (July 1, 1978-June 30, 1980) shall be in accordance with the schedule [below].

Decision No. 6201-(79/121) TR
July 23, 1979

[...the interim disbursement be made hereafter at quarterly intervals instead of half-yearly... The more frequent disbursements would add to the existing half-yearly schedule two other interim disbursements, one at the end of October 1979 and the other at the end of April 1980.]

*The paper and its supplement are not included in this volume.
(b) Extension of Period for Qualification

In Section II, Paragraph 3(c)(ii), of the Trust Fund Instrument, the word “predominantly” is changed to “partly” and “...November 30, 1979” is changed to “...May 1, 1980.”

Decision No. 6202-(79/121) TR
July 23, 1979

(c) Extension of Second Period

1. The date “December 31, 1980” shall be substituted for the date “June 30, 1980” in
   (i) Decision No. 5069-(76/72), paragraph 2, May 5, 1976, and
   (ii) the Instrument to Establish the Trust Fund, annexed to Decision No. 5069-(76/72), Section II, paragraph 1.

2. The date “November 1, 1980” shall be substituted for the date “May 1, 1980” in paragraph 3(c)(ii) of the Instrument referred to in 1(ii) above, as amended by Decision No. 6202-(79/121) TR, July 23, 1979.

3. Loan disbursements in the remainder of the Trust’s second period shall be made as follows: interim disbursements at end-April and end-July 1980, and the final disbursement in January 1981.

Decision No. 6466-(80/68) TR
April 9, 1980

TRUST FUND: EXTENSION OF SECOND PERIOD

1.* ..............................................................

2. (a) The date “February 28, 1981” shall be substituted for “December 31, 1980” in paragraph 2 of Executive Board

*Not included in this volume.
Decision No. 5069-(76/72), as subsequently amended, and in Section II, paragraph 1 of the Instrument Establishing the Trust Fund, annexed to Executive Board Decision No. 5069-(76/72), as subsequently amended.

(b) The date "January 1, 1981" shall be substituted for the date "November 1, 1980" in Section II, paragraph 3(c)(ii) of the Instrument referred to above, as subsequently amended.

3. The final loan disbursement in respect of the Trust Fund's second period shall be made toward the end of March 1981, provided that an interim disbursement may be made to.

Decision No. 6676-(80/168) TR
November 19, 1980

TRUST FUND: MEANS OF PAYMENT OF INTEREST BY MEMBERS ON THEIR INDEBTEDNESS UNDER LOAN AGREEMENTS

Payments of interest on members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars.

Decision No. 6358-(79/188) TR*
December 19, 1979

TRUST FUND: MEANS OF REPAYMENT BY MEMBERS ON THEIR INDEBTEDNESS UNDER LOAN AGREEMENTS

Repayment of members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars.

Decision No. 7142-(82/85)TR
June 18, 1982

TRUST FUND: SPECIAL CHARGES ON OVERDUE FINANCIAL OBLIGATIONS

I. Overdue Repurchases

II. Overdue Charges in the General Resources Account

III. Overdue Interest and Repayments on Trust Fund Loans

The Fund shall levy a special charge on (i) the amount of overdue interest on Trust Fund loans, at a rate equal to one-half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of Trust Fund loans, at a rate equal to one-half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, less one-half percent.

IV. Waiver of Special Charges

Special charges under Sections I, II, and III above shall be levied in respect of an overdue financial obligation as of the due date or the effective date of this decision, whichever is the later, unless the obligation is discharged within ten business days after the applicable date.

V. Notification and Payment of Special Charges

1. Special charges levied under this Decision shall be payable following the end of each of the Fund's financial quarters and the member shall be notified promptly of any special charges due. The charges shall be payable on the third business day following the dispatch of the notification.

2. Special charges in respect of overdue repurchases and charges in the General Resources Account shall be paid in SDRs.

See page 129.
to that Account. Special charges in respect of overdue repayments and interest on Trust Fund loans shall be paid in U.S. dollars to the Special Disbursement Account.

VI. Entry into Effect and Review

This Decision will enter into effect on February 1, 1986. It will be reviewed shortly after October 31, 1986 at the time of the mid-year review of the Fund's income position for the financial year ending April 30, 1987, and thereafter annually in connection with the annual reviews of the Fund's income position.

Decision No. 8165-(85/189) G/TR
December 30, 1985, effective
February 1, 1986, as amended by
Decision No. 8496-(87/3) G/TR, January 7, 1987

TRUST FUND: FINAL DIRECT DISTRIBUTION OF PROFITS

The Trustee will make the direct distribution of profits from sales of gold for the benefit of developing members through the Trust Fund in accordance with the procedures and in the amounts set out in TR/80/17 (6/10/80)* and Correction 1 (6/11/80).*

Decision No. 6540-(80/98) TR
June 25, 1980

TRUST FUND: TERMINATION AND TRANSFER OF RESOURCES TO SPECIAL DISBURSEMENT ACCOUNT

1. Having conducted the review specified in Section II, Paragraph 4(d) of the Instrument to Establish the Trust Fund attached to Decision No. 5069-(76/72), of May 5, 1976 (hereinafter called the Trust Instrument), the Fund, as Trustee, decides, with effect from the date disbursements under loans from the Trust Fund are completed, that the repayment terms of such loans from the Trust Fund will not be changed, provided,
however, that, if the Trustee finds that repayment of an
installment on the due date would result in serious hardship for
the borrower the Trustee may reschedule the repayment to a date
not later than two years after the date such repayment was
originally due.

2. (a) The Fund, as Trustee, decides that the Trust Fund shall
be terminated as of April 30, 1981 or the date on which
disbursements under Trust Fund loans are finally completed,
whichever is the later. After that date, the activities of the Trust
shall be confined to the completion of any unfinished business of
the Trust Fund and the winding up of its affairs.

(b) The resources of the Trust Fund held on the termina-
tion date or subsequently received by the Trustee, except those
resources still being held for distribution to members or required
to satisfy the liabilities specified in Section V, Paragraph 2 of the
Trust Instrument, shall be transferred, as expeditiously as
possible, to the Special Disbursement Account in accordance
with Section V, Paragraph 2 of the Trust Instrument.

(c) Nothing in this paragraph 2 shall limit the authority of
the Trustee, either before or during the winding up of the Trust
Fund, to reschedule loan repayments in cases of serious hardship
as provided in paragraph 1 above.

3. (a) From the resources received in the Special Disburse-
ment Account of the Fund pursuant to paragraph 2(b) above, the
Fund shall make available an amount equivalent to SDR 750 mil-
lion for use in the Supplementary Financing Facility Subsidy
Account (hereinafter called the Subsidy Account). Such amount
shall be transferred to the Subsidy Account as provided in
Section 4 of the Instrument establishing the Subsidy Account.

(b) Of the resources received in the Special Disbursement
Account as a consequence of the termination of the Trust Fund
which are not used for the Subsidy Account as provided in
(a) above, SDR 1,500 million shall be used to provide balance of
payments assistance on concessional terms, on a uniform basis, to
low-income developing members in need of such assistance under arrangements similar to those set forth in the Trust Instrument. The remainder shall be used to provide assistance to low-income developing members in accordance with the second sentence of subsection 12(f)(ii) of Article V of the Articles of Agreement under a decision of the Fund to be taken not later than June 30, 1986. If no such decision is taken by that date, the remainder referred to in the preceding sentence shall be used on the same terms as the SDR 1,500 million referred to in the first sentence of this subparagraph.

Decision No. 6704-(80/185) TR
December 17, 1980

TERMS OF REPAYMENT OF FINAL LOAN DISBURSEMENT AND AMENDMENT OF TRUST INSTRUMENT

The terms of repayment for the final disbursement of loans to be made to those members on the list in Attachment II to TR/81/3 (3/10/81)* and Correction 1 (3/11/81)* that will receive as a final disbursement about 0.4 per cent of quota shall be one installment equal to the amount of the disbursement to be repaid not later than the end of the tenth year from the date of disbursement, and Section II, paragraph 4(a) of the Trust Instrument annexed to Executive Board Decision No. 5069-(76/72) shall be considered amended accordingly.

Decision No. 6793-(81/45)
March 25, 1981

Subsidy Account

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—INSTRUMENT

To help fulfill its purposes, the International Monetary Fund (hereinafter called the Fund) has adopted this Instrument

*Not included in this volume.
establishing the Supplementary Financing Facility Subsidy Account (hereinafter called the Account), which shall be governed by and administered in accordance with the terms of this Instrument.

Section 1. Purpose

The purpose of the Account shall be to reduce the cost to eligible developing members, in accordance with Section 8, of using the Fund's resources under the policies of the Fund referred to in Section 7 of this Instrument.

Section 2. Resources

The resources of the Account shall consist of

(a) amounts donated to the Account;

(b) amounts transferred to the Account from the Special Disbursement Account of the Fund;

(c) the proceeds of borrowing by the Fund for the Account; and

(d) the income or net gains from investment of resources of the Account.

Section 3. Donations

The Fund may accept donations of resources for the Account in such amounts and under such arrangements as may be agreed between the Fund and the respective donors, consistent with the provisions of this Instrument.

Section 4. Amounts Transferred from Special Disbursement Account

(a) Subject to (b) below, a total equivalent to SDR 750 million shall be transferred to the Account from the assets received by the Special Disbursement Account of the Fund on termination of the operation, in its present form, of the Trust Fund established by Executive Board Decision No. 5069-(76/72). These transfers to the Account shall be made as the amounts are received in the Special Disbursement Account.

Dec. 6682-(80/185) G/TR

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(b) If, on the basis of reasonable estimates, the Executive Board determines at any time that amounts already transferred to the Account, together with the other assets available to the Account, are sufficient to carry out the operations and to meet the liabilities of the Account in full, it may authorize the suspension of further transfers from, and the re-transfer of any surplus back, to the Special Disbursement Account, provided that transfers shall be resumed, up to the total amount specified in (a), if this proves necessary to complete the operations of the Account and to discharge its liabilities in full.

Section 5. Borrowing

(a) The Fund may borrow resources for the Account on such terms and conditions as may be agreed between the Fund and the respective lenders, consistent with the provisions of this Instrument. In undertaking such borrowing, the Fund shall make every effort to obtain loans on concessionary terms. The aggregate amount of such borrowing, including the interest payable on the borrowing, shall not exceed the SDR 750 million that could be transferred to the Account from the Special Disbursement Account under Section 4.

(b) Payments of interest and repayments of the principal amount under each such loan shall be made exclusively from the resources of the Account. All resources of the Account shall be available for such payments, except that donations shall not be used for this purpose without the consent of the donor. Resources transferred to the Account from the Special Disbursement Account pursuant to Section 4 shall be applied, as necessary, to make payments due under such loans, including the interest payable thereon, in priority to other uses of such resources.

Section 6. Investment

Any balances of currency held in the Account and not immediately needed to carry out the operations or to meet the liabilities of the Account shall be invested promptly in accordance with Section 14.
Section 7. Authorized Subsidy

The Fund shall draw upon the resources of the Account, in such order as it may determine, to reduce the cost to eligible members of the periodic charges paid by them to the General Resources Account of the Fund on holdings of their currencies acquired by the Fund as a result of all purchases under the policies referred to below, in respect of the entire periods for which such charges were paid:

(a) under the Supplementary Financing Facility of the Fund established by Executive Board Decision No. 5508-(77/127), and

(b) under the policy on exceptional use of the Fund's resources incorporated in Executive Board Decision No. 5732-(78/65), as amended by Executive Board Decision No. 5998-(79/1).

Section 8. Eligible Members

(a) Subject to (b) below, members eligible to receive a subsidy under Section 7 shall be those members that, according to the latest data provided by the World Bank before April 30, 1981, had per capita incomes in 1979 not in excess of that of the member with the highest per capita income in 1979 that was eligible to receive assistance from the Trust Fund.

(b) Also eligible to receive a subsidy under Section 7 shall be any other members that, according to the latest data provided by the World Bank before April 30, 1982, had per capita incomes in 1979 not in excess of that of the member with the highest per capita income in 1979 that was eligible to receive assistance from the Trust Fund, that member's per capita income determined according to the same data.

Section 9. Calculation and Payment of the Subsidy

(a) The amount of the subsidy shall be calculated as a percentage per annum of the currency holdings referred to in Section 7 and, subject to Section 10, shall be determined by the
Fund in the light of the resources available to the Account. The determination and payment shall be made annually after the close of each financial year following the date of the Instrument. The Fund shall as far as practicable seek to ensure that, within the limits specified in Section 10, the percentage at which the subsidy is determined shall be equal over the entire period during which a subsidy is provided from the Account.

(b) Eligible members that, in accordance with Section 8, had per capita incomes in 1979 not in excess of the per capita income used for determining eligibility for assistance from the International Development Association shall receive the full amount of the subsidy calculated pursuant to (a) above. All other eligible members shall receive a subsidy equal to one half of that amount.

(c) The amount of subsidy determined pursuant to (a) and (b) above shall be paid to each eligible member as soon as practicable after the determination is made.

Section 10. Amount of Subsidy

The subsidy provided to any member pursuant to Section 9 shall not exceed the equivalent of three per cent per annum of the currency holdings specified in Section 7, nor reduce the effective charges on such holdings:

(a) if the holdings were acquired under a stand-by arrangement, below the charges which would have been applicable had such holdings been acquired under the Fund’s policies on the regular use of its resources in the credit tranches; or

(b) if the holdings were acquired under an extended arrangement, below the charges which would have been applicable had such holdings been acquired under the Extended Fund Facility. For the purpose of the calculation of charges under (a) and (b), any adjustment in the rate of charge referred to in Rule 1-6(4) that may be made under Section V, paragraph 2(b) of Decision No. 8348-(86/122), adopted July 25, 1986, shall not be taken into consideration.
Section 11. *Administration of the Account*

The Account shall be administered by the Fund as Trustee. Subject to the provisions of this Instrument, the Fund in administering the Account shall apply the same rules and procedures as apply to operations and transactions in the General Resources Account of the Fund.

Section 12. *Separation of Assets*

(a) The resources of the Account shall be held separately from the resources of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Account.

(b) Except to the extent contemplated in Section 4, property and assets of the Fund held or administered in its other accounts shall not be available or used to discharge liabilities or to meet losses arising from the operations of the Account.

Section 13. *Exchange of Resources*

(a) Resources donated pursuant to Section 3 or loaned pursuant to Section 5 shall be paid in a freely usable currency, provided that a donor or lender which is a member or the fiscal agency of a member may, at its option, pay in the currency of the member. Amounts paid in a member's currency shall, at the time of payment, be exchanged by the member for freely usable currency, if so requested by the Fund. Donations and loans may also be made available in special drawing rights in accordance with arrangements made by the Fund for the holding and use of such special drawing rights.

(b) The Fund may sell or exchange any of the resources of the Account, provided that balances of currencies held in the Account may be exchanged only with the concurrence of the issuers of such currencies.

Section 14. *Authorized Investments*

Investments pursuant to Section 6 may be made in any of the following: (a) marketable obligations issued by an international
financial organization and denominated in special drawing rights or in the currency of a member of the Fund; (b) marketable obligations issued by a member or by a national official financial institution of a member and denominated in special drawing rights or in the currency of that member; and (c) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in special drawing rights or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used.

Section 15. Administrative Expenses

In order to compensate the Fund for the expenses of carrying out the business of the Account, the Account shall pay annually to the General Resources Account an amount equivalent to one thousandth per annum of the value of the resources in the Account at the end of each financial year, other than resources attributable to donations made under Section 3, provided that this amount may be varied if the Fund, on the basis of a reasonable estimate of its expenses, considers such variation to be appropriate.

Section 16. Accounts, Audit and Reports

(a) The Fund shall maintain separate financial records and prepare separate financial statements for the Account.

(b) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the resources and operations of the Account in the annual report of the Executive Board to the Board of Governors and shall include in that annual report the report of the audit committee on the Account.
Section 17. Amendment

The Fund may amend the provisions of this Instrument, except this Section and Sections 1, 4, 5(b), 12, and 18, and the Account and its resources shall thereafter be governed by the Instrument as amended.

Section 18. Termination Arrangements

Upon completion of the subsidy operations authorized by this Instrument the Fund shall wind up the affairs of the Account. Any resources remaining in the Account after all outstanding liabilities of the Account have been discharged in full shall be applied first to reimburse the Special Disbursement Account up to the full amount transferred to the Account under Section 4, net of any previous re-transfers, and then to reimburse donors pro rata, up to the amounts of their donations. Any remaining balance in the Account shall be transferred to the Special Disbursement Account.

Decision No. 6683-(80/185) G/TR
December 17, 1980,
as amended by
Decision No. 8523-(87/25) SBS
February 6, 1987

Supplementary Financing Facility: Subsidy Account—Investment

The Managing Director shall place in deposits, denominated in SDRs, with the Bank for International Settlements, or in investments in a call account, denominated in SDRs, with the International Bank for Reconstruction and Development, the currencies received by the SFF Subsidy Account, unless the Managing Director considers that the terms offered are not sufficiently attractive. In that event the Managing Director shall
inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations.

Decision No. 6854-(81/78) SBS
May 8, 1981, as amended by
Decision No. 8184-(86/9) SBS
January 15, 1986

Supplementary Financing Facility: Subsidy Account—Suspension of Transfers and Retransfer of Surplus

In accordance with Section 4(b) of the Instrument establishing the Supplementary Financing Facility Subsidy Account (Decision No. 6683-(80/185) G/TR, transfers from the Special Disbursement Account to the SFF Subsidy Account shall be suspended as soon as arrangements can be made for the investment of resources retained in the Special Disbursement Account. Any resources of the SFF Subsidy Account above the amounts necessary to meet its future liabilities shall be promptly retransferred to the Special Disbursement Account as soon after the date of this decision as possible and as they may be received in the future.

Decision No. 7989-(85/81) SBS
May 28, 1985

Supplementary Financing Facility: Subsidy Account—Means of Subsidy Payments

Subsidy payments made after the effective date of this Decision with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument establishing the SFF Subsidy Account may be made, at the discretion of the Fund, in SDRs to beneficiaries agreeing to receive them, or in U.S. dollars, or in a combination of these two assets. Subsidy payments in U.S. dollars shall be made on the basis of the SDR/U.S. dollar exchange rate in effect three business days before the payment date.

Decision No. 8185-(86/9) SBS/5
January 15, 1986

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SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—
SUBSIDY PAYMENTS FOR THE PERIOD JULY 1, 1983
THROUGH JUNE 30, 1984

1. Subsidy payments shall be made with respect to charges
paid on holdings of currency referred to in Section 7 of the
Instrument for the period July 1, 1983 through June 30, 1984 in
the amounts indicated, which are the maximum rates permitted
under Sections 9 and 10 of the Instrument, to each of the
beneficiaries as listed in Table 2 of EBS/84/150.*

2. These subsidy payments shall be made in U.S. dollars on
July 20, 1984 or as soon thereafter as any overdue charges on
balances eligible for subsidy are paid, on the basis of the
SDR/U.S. dollar exchange rate in effect three business days
before the payment date.

Decision No. 7754-(84/108) SBS
July 16, 1984

SUPPLEMENTARY FINANCING FACILITY: SUBSIDY ACCOUNT—
SUBSIDY PAYMENTS FOR THE PERIOD JULY 1, 1984
THROUGH JUNE 30, 1985

1. In accordance with the Instrument establishing the Supple-
mentary Financing Facility Subsidy Account, subsidy payment
shall be made with respect to charges paid on holdings of
currency referred to in Section 7 of the Instrument for the period
July 1, 1984 through June 30, 1985, in the amount indicated to
each of the eligible members as listed in the table of EBS/85/168.

2. The subsidy payment shall be made in U.S. dollars to each
eligible member on July 24, 1985, or as soon thereafter as the
member has paid all overdue charges, if any, on balances eligible
for the subsidy, on the basis of the SDR/U.S. dollar exchange rate
in effect three business days before the payment date.

Decision No. 8037-(85/110) SBS
July 18, 1985

*Not included in this volume.
1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1985 through June 30, 1986, in the amount indicated to each of the eligible members as listed in Table 2 of EBS/86/276 (12/17/86).

2. The subsidy payment shall be made to each eligible member on December 23, 1986, or as soon thereafter as the member has paid all overdue charges, if any, on balances eligible for the subsidy.

*See last sentence of Section 10 of the Subsidy Account Instrument on page 383.*
member has paid all overdue charges, if any, on balances eligible for the subsidy.

Decision No. 8523-(87/25) SBS
February 6, 1987

OIL FACILITY: SUBSIDY ACCOUNT

In order to help fulfill the purposes of the Fund as stated in Article I of the Articles of Agreement, including the promotion of cooperation between members and the Fund and among members on international monetary problems, the Fund will establish a Subsidy Account in cooperation with members to assist those members that are most seriously affected by the current situation to meet the cost of using resources made available through the Fund's oil facility for 1975. The Subsidy Account will be subject to the following provisions.

1. The Managing Director is authorized (i) to make arrangements to establish a Subsidy Account in the name of the International Monetary Fund with such depositories of the Fund as may be necessary, to be operated in accordance with the same administrative procedures as those that the Fund applies in operating its other accounts; and (ii) to take all measures necessary to implement this Decision.

2. The Subsidy Account will consist of currency deposited by donors on the basis of this Decision, securities in which currency in the Account is invested, currency representing the income of investment, and the proceeds of disinvestment. In contributing to the Subsidy Account, a donor may make a single deposit or may inform the Fund of its intention to make periodic deposits. The donor will specify the procedure that it intends to follow in making deposits and will consult the Fund on any subsequent changes.

3. (a) Payments will be made from the Subsidy Account to each of the members listed in Annex A* that have made

*Not included in this volume.
purchases under Executive Board Decision No. 4634-(75/47) (hereinafter referred to as the recipients).

(b) Payments, after meeting any expenses, will be made as soon as is practicable after the end of each financial year of the Fund and will be calculated as a percentage per annum of the average daily balances of the Fund's holdings of the currency of each recipient subject to charges outstanding under Executive Board Decision No. 4634-(75/47) during the year. The percentage applicable will be the same for all recipients during a given financial year. To the extent that it proves financially possible, the Fund will equalize the percentages payable to all recipients during the period of payments under this Decision.

4. Currency held in the Subsidy Account may be invested in government securities issued by members, subject to the approval of the government in whose securities the investment is made.

5. The assets and records of the Subsidy Account will be kept separate from the assets and records of all other Accounts of the Fund and will be audited at the time of the annual audit of the Fund by the committee selected under Section 20 of the Fund's By-Laws. The property and assets of the Fund held in other Accounts will not be used to discharge liabilities or meet losses arising out of administration of the Subsidy Account; nor will the assets in the Subsidy Account be used to discharge liabilities or meet losses incurred in the administration of other Accounts.

6. (a) If the Executive Directors find that the Subsidy Account is no longer necessary or that its purpose cannot be carried out, the Account will be terminated.

(b) If any assets remain in the Subsidy Account on the date of its termination, the amount will be divided among the donors that have made deposits in it in proportion to their contributions.
7. If the Fund amends paragraph 3 or Annex A* of this Decision, a donor (i) will be entitled to request and obtain the return of an amount equivalent to that part of its contribution that has not been used, to the same extent that it could obtain repayment under paragraph 6 (b) of this Decision in the event that the Subsidy Account were terminated; and (ii) may cancel any notice of intention to make further deposits that it has given in accordance with paragraph 2 of this Decision. Calculations under this paragraph will be made as of the date of receipt by the Fund of the request or cancellation.

8. The Executive Directors will review this Decision annually.**

Decision No. 4773-(75/136),
August 1, 1975, as amended by
Decision No. 5694-(78/35),
March 17, 1978

OIL FACILITY: SUBSIDY ACCOUNT—FINAL REVIEW

1. Subsidy payments shall be made to the beneficiaries listed in Table 2 of EBS/83/94,* on the average daily balances of the Fund's holdings of each member's currency subject to charges that were outstanding under the 1975 oil facility (Executive Board Decision No. 4634-(75/47), as amended), and eligible for subsidy for the period from May 1, 1982 to May 11, 1983, at the rate of 5 percent per annum.

2. The payments shall be made in U.S. dollars on June 15, 1983, to the beneficiaries that have paid the charges due as of the end of April 1983, in connection with the 1975 oil facility.

3. No charge shall be levied for the services rendered by the Fund in the administration and operation of the subsidy account.

Decision No. 7420-(83/82)
June 8, 1983

*Not included in this volume.
**In accordance with this provision, the decision has been reviewed on several occasions.
1. Subsidy payments shall be made to the beneficiaries listed in Table 1 of EBS/83/94, Supplement 3,* on the Fund’s holdings of each member’s currency subject to charges that were outstanding under the 1975 oil facility and eligible for subsidy for the period May 1, 1975 to May 11, 1983 at a rate (approximately 0.32 percent) that will fully utilize the remaining resources of the account.

2. These payments shall be made in U.S. dollars as soon as practicable after all charges due at the end of July 1983 in connection with the oil facility have been paid.

3. No charge shall be levied for the services rendered by the Fund in the administration, operation, and termination of the account.

4. After disbursement of subsidy payments under paragraph 2 above, the subsidy account shall be considered terminated.

Decision No. 7484-(83/117)
August 2, 1983

*Not included in this volume.
Selected Resolutions of the Board of Governors and Related Documents
A. Request for Interpretation of the Articles of Agreement as to the Authority of the Fund to Use Its Resources

RESOLVED:

THAT the Executive Directors of the International Monetary Fund are invited, at the request of the Governor for the United States of America, to interpret the Articles of Agreement, pursuant to Article XVIII* (a), as to whether the authority of the Fund to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical and emergency fluctuations in the balance of payments of any member for current transactions, and whether the Fund has authority to use its resources to provide facilities for relief, reconstruction, or armaments, or to meet a large or sustained outflow of capital on the part of any member. **

Resolution No. IM-6
March 18, 1946

*Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.
**The interpretation was made by the Executive Board on September 26, 1946. See Decision No. 71-2 on page 24.
B. Resolution of the United Nations General Assembly 377(V) Entitled "Uniting for Peace"

Resolved:

Whereas the General Assembly of the United Nations on November 3, 1950, adopted a Resolution entitled "Uniting for Peace";

Now, therefore, the Board of Governors, taking note of said Resolution, hereby RESOLVES:

That the Fund, in the conduct of its activities shall have due regard for recommendations of the General Assembly made pursuant to the said Resolution for the maintenance or restoration of international peace and security.

Resolution No. 6-8
September 13, 1951
C. Composite Resolution on the Work of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues and on a Program of Immediate Action

The Board of Governors having noted:

That the ad hoc Committee on Reform of the International Monetary System and Related Issues, which was established at the Board's 1972 Annual Meeting to advise and report with respect to all aspects of reform of the international monetary system, has now concluded its work; and

That the Chairman of the ad hoc Committee has transmitted its final report ("Report to the Board of Governors of the International Monetary Fund by the Committee on Reform of the International Monetary System and Related Issues") accompanied by an "Outline of Reform" (hereinafter referred to as the Outline), consisting of Part I ("The Reformed System"), which records the outcome of the Committee's discussions and indicates the general direction in which the Committee believes the system could evolve, and Part II ("Immediate Steps"), which sets out the steps that the Committee agrees should be taken immediately; and

That the Executive Directors have been studying various aspects of the international monetary system and in accordance with the Committee's recommendations on immediate steps in the Report and Outline have adopted certain decisions;

Now, therefore, the Board of Governors hereby takes the following actions:

Resolutions Nos. 29-7, 29-8, 29-9, 29-10

October 2, 1974
First Resolution (No. 29-7):

Final Report of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues

The Board of Governors hereby RESOLVES as follows:

1. The Board of Governors notes the report of the ad hoc Committee on Reform of the International Monetary System and Related Issues.

2. The Board expresses its deep appreciation to the Committee and its Chairman, to the Deputies and their Chairman, and to the Bureau upon the conclusion of their work on international monetary reform for the valuable contribution that they have made both in indicating the general direction in which the international monetary system could evolve in the future and in proposing immediate steps and other measures on which members could collaborate in an evolutionary process of reform.

3. The Committee shall cease to exist on October 2, 1974.

Second Resolution (No. 29-8):

Establishment of an Interim Committee of the Board of Governors on the International Monetary System

WHEREAS the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System and Related Issues has referred to the desirability of establishing by amendment of the Articles of Agreement a permanent and representative Council with appropriate powers; and

WHEREAS it is desirable, pending the establishment of the Council, to establish an Interim Committee of the Board of Governors on the International Monetary System with an advisory role, and with a composition similar to that of the Council; and

WHEREAS it is desirable that the Interim Committee shall come into existence when the Committee on Reform of the International Monetary System and Related Issues ceases to exist;
NOW, THEREFORE, the Board of Governors hereby RESOLVES as follows:

1. Composition of the Interim Committee
   (a) There shall be established an Interim Committee of the Board of Governors on the International Monetary System. The members of the Committee shall be governors of the Fund, ministers, or others of comparable rank. Each member of the Fund that appoints an executive director and each group of members of the Fund that elected an executive director on or after the date on which the last regular election took place shall appoint
      (i) one member of the Committee, and not more than (ii) seven associates.
   Each member of the Committee and each associate shall serve until a new appointment is made.
   (b) Members of the Committee, associates, and executive directors or in their absence their alternates, shall be entitled to attend meetings of the Committee, unless the Committee decides to hold a more restricted session. Each member of the Fund that appoints an executive director and each group of members of the Fund referred to in (a) above may designate an alternate to participate in the place of the member of the Committee at any meeting when he is not present. Participation in respect of each item on the agenda of a meeting shall be limited to one person, who shall be a member of the Committee, an associate, or an executive director.
   (c) The Committee shall select a Chairman, who shall serve for such period as the Committee determines. The Chairman of the Board of Governors, or a governor designated by him, shall convene the first meeting of the Committee and shall preside over it until a Chairman has been selected.
   (d) The Managing Director shall be entitled to participate in all meetings of the Committee, and may designate a
representative to participate in his place at any meeting when he is not present. The Managing Director or his representative may be accompanied normally by not more than two members of the staff, unless the Committee decides to hold a restricted session.

2. Representation of Members Not Entitled to Appoint a Member of the Committee

A member of the Fund not entitled to appoint a member of the Committee may send a representative to participate in any meeting of the Committee when a request made by, or a matter particularly affecting, that member is under consideration. The Committee shall determine, upon request by the member, whether a matter under consideration particularly affects the member.

3. Terms of Reference

The Committee shall advise and report to the Board of Governors with respect to the functions of the Board of Governors in:

(i) supervising the management and adaptation of the international monetary system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries;

(ii) considering proposals by the Executive Directors to amend the Articles of Agreement; and

(iii) dealing with sudden disturbances that might threaten the system.

In addition, the Committee shall advise and report to the Board of Governors on any other matters on which the Board of Governors may seek the advice of the Committee.

In performing its duties, the Committee shall take account of the work of other bodies having specialized responsibilities in related fields.
4. Procedures

(a) The Committee shall meet ordinarily three or four times a year. The Chairman may call meetings after consulting the members of the Committee, and shall consult the members of the Committee on calling a meeting if so requested by any member of the Committee.

(b) A quorum for any meeting of the Committee shall be two thirds of the members of the Committee.

(c) Meetings of the Committee shall be held within the metropolitan area in which the Fund has its principal office, or at such other places as the Committee may provide or, in the absence of such provision, as the Chairman shall determine after consulting the members of the Committee.

(d) Appropriate arrangements shall be made for the effective coordination of the work of the Committee and of the Executive Directors. The Secretary of the Fund shall serve as the Secretary of the Committee.

(e) In reporting any recommendations or views of the Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified. Reports of the Committee shall be made available to the Executive Directors.

(f) The Committee may invite observers to attend during the discussion of an item on the agenda of a meeting, and may determine any aspect of its procedure that it is not established by this Resolution.

Third Resolution (No. 29-9):

Establishment of Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

WHEREAS the Committee of the Board of Governors of the International Monetary Fund on Reform of the International
Monetary System has recommended the establishment of a joint ministerial committee of the Boards of Governors of the International Monetary Fund (the Fund) and the International Bank for Reconstruction and Development (the Bank) to carry forward the study of the broad question of the transfer of real resources to developing countries and to recommend measures to be adopted in order to implement its conclusions;

WHEREAS it is desirable to consider the question of the transfer of real resources to developing countries in relation to existing or prospective arrangements among countries, including those involving international trade and payments, the flow of capital, investment, and official development assistance;

WHEREAS the said Committee has invited the Managing Director of the Fund to discuss with the President of the Bank the preparation of appropriate parallel draft resolutions on the establishment of such a joint ministerial committee for adoption by the respective Boards of Governors of the Fund and Bank;

WHEREAS pursuant to such discussions the President of the Bank and the Managing Director of the Fund have proposed to the Executive Directors of the Bank and Fund, respectively, and the Executive Directors of the Fund have approved the submission of this Draft Resolution to the Board of Governors of the Fund and the Executive Directors of the Bank have approved the submission of a parallel Draft Resolution to the Board of Governors of the Bank;

WHEREAS the Committee as envisaged would be helpful in providing a focal point in the structure of international economic cooperation for formation of a comprehensive overview of diverse international activities in the development area, for efficient and prompt consideration of development issues, and for coordination of international efforts to deal with problems of financing development; and

WHEREAS the Board of Governors of the Bank is considering the said parallel resolution;
NOW, THEREFORE, the Board of Governors hereby RESOLVES:

1. Establishment and Composition of Joint Ministerial Committee
   (a) There is established a Joint Ministerial Committee of the Boards of Governors of the Bank and Fund on the Transfer of Real Resources to Developing Countries (hereinafter called the Development Committee).
   
   (b) The members of the Development Committee shall be governors of the Bank, governors of the Fund, ministers, or others of comparable rank.
   
   (c) The members of the Development Committee shall be appointed in turn for successive periods of two years by the members of the Bank and the members of the Fund. The members of the Bank shall appoint the members of the Committee for the first period of two years, which shall run from the date of the adoption of this Resolution until the date of the regular election of executive directors in 1976.
   
   (d) Each member government of the Bank or the Fund, as the case may be, that appoints an executive director and each group of member governments of the Bank or of the Fund, as the case may be, that elects an executive director shall appoint one member of the Development Committee and up to seven associates, and, for any meeting when the member of the Committee is not present, may appoint an alternate with full power to act for the member at such meeting.
   
   (e) Each member and associate shall serve until a new appointment is made by the member government or member governments of the Bank or the Fund, as the case may be, that are entitled to make the appointment or until the next succeeding regular election of executive directors, whichever is earlier.

2. Chairman

   The Development Committee shall select a Chairman from among its members, who shall serve for such period as the Committee determines. The Chairman of the Boards of Gover-
nors of the Bank and the Fund, or a governor designated by him shall convene the first meeting of the Committee and shall preside over it until the Chairman has been selected.

3. Meetings

(a) Members of the Development Committee, associates, and the executive directors of the Bank and the Fund, or in their absence their alternates, shall be entitled to participate in meetings of the Committee, unless the Committee decides to hold a session restricted to members, the President of the Bank, and the Managing Director of the Fund. Participation in respect of each item on the agenda of a meeting shall be limited to one person in respect of each member government or group of member governments that appoint a member of the Committee.

(b) The President of the Bank and the Managing Director of the Fund shall be entitled to participate in all meetings of the Development Committee, and each may designate a representative to participate in his place at any meeting when he is not present. Each may be accompanied normally by two members of his staff, at any unrestricted session of the Committee.

(c) The Development Committee shall invite the heads of other international financial or economic organizations, as well as other persons, to attend or participate in meetings of the Committee relating to their areas of responsibility.

4. Terms of Reference

(a) The Development Committee shall maintain an overview of the development process and shall advise and report to the Boards of Governors of the Bank and the Fund on all aspects of the broad question of the transfer of real resources to developing countries, and shall make suggestions for consideration by those concerned regarding the implementation of its conclusions. The Committee shall review, on a continuing basis, the progress made in fulfillment of its suggestions.

(b) The Development Committee shall establish a detailed program of work, taking account of the topics listed in Annex 10
of the Outline of Reform. The Committee in carrying out its work shall bear in mind the need for coordination with other international bodies.

(c) The Development Committee shall give urgent attention to the problems of (i) the least developed countries and (ii) those developing countries most seriously affected by balance of payments difficulties in the current situation.

5. Procedures

(a) The Development Committee shall meet at the time of the annual meetings of the Boards of Governors of the Bank and the Fund and, in addition, as often as required. The Chairman may call meetings after consulting the members of the Committee and shall consult them on calling a meeting if so requested by any member of the Committee.

(b) A quorum for any meeting of the Development Committee shall be two thirds of the members of the Committee.

(c) The Development Committee may establish subcommittees or working groups from time to time.

(d) The Committee shall appoint an Executive Secretary who shall be entitled to participate in all Committee meetings. The Executive Secretary, supported by a small staff as necessary, and drawing on the staffs of the Bank and the Fund to the maximum extent feasible, shall be responsible to the Committee for carrying out the work directed by the Committee.

(e) Appropriate arrangements shall be made for the coordination of the work of the Development Committee and the work of the Executive Directors of the Bank and the Fund.

(f) The President of the Bank and the Managing Director of the Fund shall arrange to carry out technical work requested by the Committee and provide administrative support for the Committee within the competence of their organizations.

(g) The Committee may request assistance from interna-
tional organizations or other bodies or individuals in connection with the preparation of its work.

(h) In reporting any suggestions or views of the Development Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified.

(i) The Development Committee shall report not less than once a year to the Boards of Governors on the progress of its work and may publish such other reports as it deems desirable to carry out its purposes.

(j) The Development Committee may determine any aspect of its procedure that is not established by this Resolution.

6. Administrative Costs

The Bank and the Fund shall make such financial appropriations, in equal proportions, as are necessary for carrying out the work of the Development Committee.

7. Review

At the end of two years from the effective date of this Resolution, the Boards of Governors of the Fund and the Bank shall review the performance of the Committee, and shall take such action as they deem appropriate.

Fourth Resolution (No. 29-10):

Other Immediate Steps

The Board of Governors hereby RESOLVES as follows:

1. Need for Immediate Steps

The Board of Governors notes the view of the Committee on Reform of the International Monetary System and Related Issues (hereinafter referred to as the Committee) that it will be some time before a reformed system can be finally agreed and fully implemented, and it endorses the Committee's proposal that, in the interim period, the Fund and its members should pursue the
general objectives set out in paragraph 1 of the Outline adopted by the Committee and should observe, so far as they are applicable, the principles contained in Part 1 of the Outline. The Board notes that in Part II of the Outline the Committee proposes that a number of steps should be taken immediately to begin an evolutionary process of reform and to help meet the current problems facing both developed and developing members. The Board of Governors endorses the proposals of the Committee and the Committee's calls upon members to collaborate with the Fund and with each other to give effect to those proposals.

2. The Adjustment Process

The Board of Governors notes that the Committee has recognized that in the interim period, with the prospect of significant changes in the structure of balances of payments in the world, there is need for close international consultation and for surveillance of the adjustment process. The Board endorses the Committee's recommendation that members should be guided in their adjustment action by the general principles set out in paragraph 4 of the Outline. The Board endorses the Committee's call to members to cooperate with one another and with international institutions, during the current period of exceptional and widespread payments imbalances, to find orderly means to deal with these imbalances without adopting policies that would aggravate the problems of other members, and to promote equilibrating capital flows. In this connection, the Board of Governors welcomes Decision No. 4241-(74/67), adopted by the Executive Directors on June 13, 1974, to establish a facility in the Fund to assist members in meeting the initial impact of the increase in the cost of oil imports.

The Fund shall exercise surveillance of the adjustment process through the Council when established (and, for the time being, the Interim Committee on the International Monetary System) and the Executive Directors, on the lines of the procedures set out
in paragraphs 5-10 of the Outline, and subject for the time being to the following provisos, namely that:

(a) the Fund shall seek to gain further experience in the use of the objective indicators, including reserve indicators, on an experimental basis, as an aid in assessing the need for adjustment, but shall not use such indicators to establish any presumptive or automatic application of pressures;

(b) determination of what is a disproportionate movement in reserves shall be made in the light of the broad objectives of members for the development of their reserves over a period ahead, as discussed with the Fund; and

(c) the pressures that may be applied to members in large and persistent imbalance shall continue to be those at present available to the Fund.

3. Exchange Rates

The Board of Governors notes that the Committee has stressed that, during the interim period, exchange rates will continue to be a matter for international concern and consultation, and has attached particular importance to the avoidance of competitive depreciation or undervaluation. The Board endorses these views and notes with satisfaction that in accordance with the Committee's recommendation the Executive Directors have taken Decision No. 4232-(74/67), adopted June 13, 1974, on guidelines for the management of floating exchange rates during the present period of widespread floating.

4. Controls

The Board of Governors endorses the Committee's recommendation that, during the interim period, countries should be guided by the principles set out in paragraphs 14-17 of the Outline in relation to controls and to cooperative action to limit disequilibrating capital flows. The Board endorses the Committee's view that particular importance must be attached to avoiding the escalation of restrictions on trade and payments for balance of payments purposes during the interim period. The
Board endorses the invitation to members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes attached to the Committee's final communiqué, and requests members to consider subscribing to the Declaration if they have not already done so. The Board notes with satisfaction that the Executive Directors are developing the necessary procedures in connection with the Declaration, and are making arrangements for continuing close cooperation with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade.

5. Global Liquidity

The Board of Governors endorses the Committee's call to members to cooperate with the Fund during the interim period in seeking to promote the principle of better management in global liquidity as set out in paragraph 2(d) of the Outline. In accordance with the Committee's recommendation, the Fund shall assess global reserves and take decisions on the allocation and cancellation of special drawing rights consistently with paragraph 25 of the Outline. The Fund shall periodically review the aggregate volume of official currency holdings in accordance with paragraph 19 of the Outline and, if they are judged to show an excessive increase, the Fund shall consider with the members concerned what steps might be taken to secure an orderly reduction.

In accordance with the Committee's recommendation, the Fund shall give consideration to substitution arrangements.

In accordance with the Committee's recommendation, the Fund shall give further study to arrangements for gold in the light of the agreed objectives of reform.

6. Valuation of the Special Drawing Right

The Board of Governors notes with satisfaction that, following the Committee's recommendation concerning the interim valuation and interest rate of the special drawing right, the Executive Directors have taken the following decisions on these
questions: No. 4233-(74/67) S,* adopted June 13, 1974; No. 4234-(74/67) S,* adopted June 13, 1974; No. 4236-(74/67) S,* adopted June 13, 1974; No. 4257-(74/76), adopted June 28, 1974; and No. 4261-(74/78) S,* adopted July 1, 1974. These decisions provide for an interim valuation of the special drawing right without prejudice to the method of valuation to be adopted in a reformed system.

7. The Special Interests of Developing Countries

The Committee has recognized the serious difficulties that are facing many developing members, and has agreed that their needs for financial resources will be greatly increased. It has urged all members with available resources to make every effort to supply these needs on appropriate terms. To this end, the Committee has called upon members with available resources and upon development finance institutions to make arrangements to increase the flow of concessionary funds, and to give consideration to various measures including the redistribution of aid effort in favor of members in greatest need, interest subsidies, and short-term debt relief on official loans in the special circumstances of members without access to financial markets. The Board of Governors notes with satisfaction that, following the Committee's recommendation, the Executive Directors have taken Decision No. 4377-(74/114), adopted September 13, 1974, to establish a new facility in the Fund under which developing members in particular are likely to receive balance of payments finance for longer periods and in amounts larger in relation to quota than has been the practice under existing tranche policies. The Board notes that the Committee is not unanimous on the question of establishing a link between development assistance and the allocation of special drawing rights and invites the Interim Committee established by the Second Resolution to consider the possibility and modalities of establishing such a link simultaneously with the preparation by the Executive Directors

of draft amendments of the Articles of Agreement, which it is envisaged would be presented for the approval of the Board by February 1975.

8. General Review of Quotas

The Board of Governors endorses the Committee's request to the Executive Directors to complete, as soon as possible, their work on the current general review of quotas, and in doing so to bear in mind the general purposes of the reform.

9. Amendments to the Articles of Agreement

The Board of Governors notes that certain of the immediate steps recommended in Part II of the Outline require amendment of the Articles of Agreement, and that, following the Committee's recommendation in paragraph 41 of the Outline, the Executive Directors have begun their consideration of draft amendments of the Articles of Agreement to give effect to this Part of the Outline or as otherwise desired.

The Board requests the Executive Directors to transmit any draft amendments that they prepare pursuant to paragraph 41 of the Outline to the Interim Committee for consideration in accordance with paragraph 3(ii) of the Second Resolution and, if agreed, for presentation to the Board of Governors for its approval.

Interim Committee: Rules of Procedure

1. Committee Members, Associates, and Alternates

The Secretary of the Fund shall be informed of the appointment of all members of the Committee and their associates and of the designation of alternates. The Secretary shall notify periodically all Governors and members of the Committee of these appointments and shall notify all members of the Committee of these designations.
2. **Meetings**

(a) Except in special circumstances, the Chairman shall cause all members of the Committee and their associates to be notified at least ten days in advance of any meeting.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.

3. **Agenda**

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the members of the Committee and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

*Adopted October 3, 1974 by the Interim Committee*

**Development Committee: Rules of Procedure**

1. **Committee Members, Associates, and Alternates**

The Executive Secretary of the Committee shall be informed of the appointment of all members of the Committee and their associates and of the appointment of alternates. The Executive Secretary shall notify periodically all Governors and members of the Committee of these appointments.

2. **Meetings**

(a) Except in special circumstances, the Chairman shall, after consultation with the members, cause all members of the Committee and their associates to be notified at least 30 days in advance of any meeting, and documents shall be distributed at least 30 days in advance of the meeting, if possible.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.
3. Agenda

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the members of the Committee, the President of the Bank and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

Adopted January 17, 1975
by the Development Committee

Development Committee: Changes in the Organization of Work and Structure of the Secretariat Function

1. The Development Committee would be continued as a Joint Bank/Fund Committee with its present broad mandate to consider all matters relating to the transfer of real resources.

2. The Development Committee's main function would be that of a discussion forum, including its use as a "reserve forum" for the discussions of issues relating to the operations of the institutions when circumstances warrant it.

3. The Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank would be jointly responsible for organizing the work of the Development Committee with a view to more effective performance.

4. The independence of the Development Committee would be reflected in the ability to present ideas freely to Members of the Committee—the work of the Committee would not be bound by a narrow definition of the responsibilities of the Bank and the Fund.

5. The Boards of the Bank and the Fund would be used as preparatory bodies for the work of the Development Committee including its agenda and work program, as well as reviewing and sharpening issues in papers prepared for Committee consideration.
6. To assure that proposals and views expressed by the Executive Directors are fully reflected in the papers, agenda and work program, when they meet on Development Committee matters, they will do so as Committees of the Whole of the Executive Boards.

7. Senior Officials would not be part of the institutional framework. However, Ministerial Deputies could meet on an ad hoc basis, when appropriate, to consider special issues. Since they would be Deputies to Ministers, the decision to convene them would be one for the Ministers.

8. The Secretariat would be reduced to a senior official who would serve as Executive Secretary. He would assist the Chairman, Managing Director and President in ensuring the effectiveness of the Development Committee's work. The Secretariat service required by the Development Committee would be provided by Bank/Fund staff.

9. The Working Group would be abolished. Task Forces—with a specific limited task and duration—might be used for certain issues with approval of the Development Committee.

10. Studies and papers for the Committee would normally be prepared by regular Fund/Bank staff, but consultants or other agencies may be asked by the Committee to contribute work under certain circumstances.

Adopted April 1, 1979

by the Development Committee
D. Increases in Quotas of Members—Sixth General Review

WHEREAS the Executive Directors have considered the adjustment of the quotas of members in accordance with the Resolution of the Board of Governors of the International Monetary Fund at its 1975 Annual Meeting:

That the Board of Governors, having noted the report of the Executive Directors entitled "Increases in Quotas of Members—Sixth General Review," dated August 22, 1975, and having endorsed the understandings reached so far by the Interim Committee on this subject, continues its review under Article III, Section 2 and requests the Executive Directors to complete as promptly as possible their work on this matter on increases in individual quotas and on the mode of payment of subscriptions in respect of them and to submit appropriate proposals to the Board of Governors, after consideration of them by the Interim Committee;

WHEREAS the Executive Directors have submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Sixth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Interim Committee of the Board of Governors on the International Monetary System has endorsed the recommendations contained in the report of the Executive Directors; and

WHEREAS the Executive Directors have been requested to prepare and submit to the Board of Governors as soon as possible proposals to amend the Articles of Agreement of the Fund, including a proposal for the modification of the provisions relating to the payment of increases in quotas; and

WHEREAS the Executive Directors have recommended the adoption of the following Resolution of the Board of Governors,
which Resolution proposes increases in the quotas of members of
the Fund as a result of the sixth general review of quotas and deals
with certain related matters, by vote without meeting pursuant
to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES
that:

1. The International Monetary Fund proposes that, subject to
the provisions of this Resolution, the quotas of members of the
Fund shall be increased to the amounts shown against their
names in the Annex* to this Resolution, provided that any
member may consent to an increase in its quota that is smaller
than the one shown in the Annex, and may consent thereafter to
further increases up to the amount shown against its name in the
Annex not later than the date prescribed by or under paragraph 5
below. Each increase shall be a whole number in millions of
special drawing rights.

2. A member's increase in quota as proposed by this Resolu-
tion shall not become effective unless the member has notified
the Fund of its consent to the increase not later than the date
prescribed by or under paragraph 5 below and has paid the
increase in quota in full, provided that no increase in quota shall
become effective before (i) the effective date of the second
amendment of the Articles or (ii) the date of the Fund's
determination that members having not less than three fourths of
the total of quotas on February 19, 1976 have consented to
increases in their quotas, whichever is the later of these dates.

3. A member shall pay twenty-five per cent of the increase in
special drawing rights, the currencies of other members speci-
fied, with their concurrence, by the Fund, or in the member's
own currency, and shall pay the balance of the increase in its own
currency.

*Not included in this volume.
4. A member shall, within six months after the date of the adoption of this Resolution, make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

5. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund not later than one month after the effective date of the second amendment of the Articles, provided that the Executive Directors may extend this period as they may determine.

6. Each member shall pay to the Fund the increase in its quota within sixty days after (a) the date on which it notifies the Fund of its consent or (b) the effective date of the second amendment of the Articles or (c) the date of the Fund's determination under paragraph 2(ii) above, whichever is latest.

7. The seventh general review of quotas shall be completed by February 9, 1978.

Resolution No. 31-2

March 22, 1976
E. Increases in Quotas of Fund Members—Seventh General Review

REPORT OF THE EXECUTIVE BOARD TO THE BOARD OF GOVERNORS

1. Article III, Section 2(a) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, i.e. the seventh, general review are submitted to the Board of Governors in accordance with Article III, Section 2.

In their Resolution of March 22, 1976,* the Board of Governors decided that "The seventh general review of quotas shall be completed by February 9, 1978." The review was not completed by that date. At its meeting in Mexico City in April 1978, considerable progress was made by the Interim Committee toward achieving a consensus on the Seventh Review as reflected in the communique issued at the end of its meeting on April 30, 1978.

2. At the last meeting of the Interim Committee in Washington in September 1978, understandings were reached on all major issues of the Seventh Review, as reflected in the relevant passages from the Committee's communique of September 24, 1978, as follows:

The Committee resumed its discussion of the Seventh General Review of Quotas and considered three major issues relating to it: the size of the overall increase in quotas, selective quota adjustments, and the method of payment of the increases in quotas. These issues were considered by the Committee in conjunction with the various issues relating to the SDR with which they are regarded as interrelated. The Committee recalled its view that there was a need for an increase in total quotas under the Seventh

*See pages 417-19.
Review that would be adequate to meet the expected need for conditional liquidity over the next five years. The Committee also recalled its view that an adequate increase would strengthen the available sources of balance of payments financing by enhancing the ability of the Fund to provide such financing without heavy recourse to borrowing and by furthering the process of international adjustment.

The Committee's view was that an increase in the overall size of quotas of 50 per cent would be appropriate to bring about a better balance between the size of the Fund's resources and the need of members for balance of payments financing over the medium term. The Committee noted that the Executive Board does not intend to propose a general adjustment in quotas for five years after the Board of Governors approves the increase in quotas under the Seventh Review, unless there is a major change in the world economy and its financing needs.

The Committee noted with satisfaction that agreement had been reached on selective quota increases for 11 developing member countries: Iraq, Iran, Korea, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Singapore, and the United Arab Emirates.

Taking into account the conclusions reached on the issues relating to SDRs, including allocations of SDRs, the Committee was of the view that, for the quota increases proposed as a result of this review, participants in the Special Drawing Rights Department should pay 25 per cent of the quota increase in SDRs and that nonparticipants should pay the equivalent of 25 per cent of the increase in foreign exchange.

The Committee agreed to request the Executive Board to prepare and complete by November 1, 1978, for final decision and vote by the Board of Governors before the end of the year, a proposed resolution on increases in the quotas of members, which would include necessary provisions dealing with participation, the effective date of quota increases, and the method of payment of the increases in accordance with the understanding reached in the Committee.

The communique also included the following passage:

The Committee reached the conclusion...[on the issues related to SDRs]...with the understanding that these conclusions are interrelated and must be adopted in their entirety together with the understandings reached by the Committee on the Seventh General Review of Quotas. In the view of the Committee, therefore, decisions on all these issues relating to SDRs and on the Seventh General Review should be taken at the same time.
3. The Executive Board has considered a number of factors, both of a qualitative and quantitative nature, that affect the expected need for conditional liquidity and the Fund's ability to finance that need over the medium term without heavy reliance on borrowing. One factor is the extent of the growth of, and possible fluctuations in, the value of international transactions; another factor is the likely continuation of relatively large payments imbalances for many countries in the next few years. In these circumstances, the demand for balance of payments financing may well rise, and the Fund's resources should be sufficient to permit the Fund to finance a reasonable share of that demand.

Furthermore, the Executive Board, while acknowledging the contribution made by the international capital markets to the effective functioning of the international monetary system over the last few years, believes that an increase in Fund quotas can promote the process of international adjustment in ways that could not be achieved through the private markets. The Fund provides its members with balance of payments financing on the understanding that these members will follow appropriate policies of economic adjustment. In these circumstances, members' access to the Fund's resources must be sufficiently large to induce members with substantial balance of payments needs to use those resources and to pursue economic policies and programs which the Fund is able to support. While access to the Fund's resources in terms of quota is now considerably in excess of the traditional policy norm of 100 per cent of quota under the credit tranche policy, the ratio between access to Fund credit and payments imbalances is considered to be lower than a decade ago.

In recent years, the Fund has established or expanded a number of special facilities to help deal with certain balance of payments problems of its members. Some of them, notably the Extended Fund Facility and the expanded Compensatory Financing Facility, which are of a continuing character, have increased access to Fund resources in relation to quota without additional
financing being available to the Fund. On the other hand, borrowing by the Fund for the Oil Facilities of 1974 and 1975 and the Supplementary Financing Facility, which is expected to come into operation shortly, entailed, or will entail, the creation of claims on the Fund’s general resources which are encashable on demand if a lender has a balance of payments need. Moreover, as was the case with the Oil Facilities, the resources provided under the Supplementary Financing Facility will augment members’ access for a limited period of time only. At the end of that period, the Fund will be faced with both a reduction in the resources available to meet the needs of members and possibly large liquid liabilities relative to its quotas.

In view of the possibility of large payments imbalances over the next few years and the distribution of such imbalances, the Fund’s liquidity position is likely to be vulnerable, even though the volume of usable currencies available to the Fund has recently increased. Resources made available through increases in quotas give the Fund a more assured access to resources than borrowing.

In light of the above considerations, the Executive Board is of the view that, in general, increased access to the Fund’s resources should, over the longer run, normally result from an increase in Fund quotas.

4. For these reasons, and in accordance with the understandings reached by the Interim Committee at its meeting on September 24, 1978, the Executive Board now proposes to the Board of Governors increases in Fund quotas of 50 per cent for most members and special increases for 11 members. The Executive Board does not intend to propose a general adjustment of quotas for five years after the Board of Governors adopts this Resolution, unless there is a major change in the world economy and its financing needs.

5. The Executive Board will review the customary method of calculating quotas after the Seventh General Review of Quotas has been completed. In the context of the next general review of quotas, the Executive Board will examine the quota shares of
members in relation to their positions in the world economy with
a view to adjusting those shares better to reflect members' relative economic positions while having regard to the desirability of an appropriate balance in the composition of the Executive Board.

6. Under the proposed Resolution, a member will be able to consent to the increase in its quota at any time on or before November 1, 1980. Therefore, unless this period is extended by the Executive Board, members will have until November 1, 1980 to take whatever action may be necessary under their laws to enable them to give their consent.

7. It is proposed that the increase in a member's quota will take effect on the latest of the following three dates:

(a) The date on which the Fund receives the member's consent to the increase in quota;

(b) The date of the payment of the increase in subscription;

and

(c) The date on which the Fund determines that the participation requirement in paragraph 2 of the proposed Resolution has been satisfied. The proposed Resolution provides, however, that if the participation requirement in paragraph 2 has not been met by June 30, 1980, no increase in quotas under the Seventh Review would become effective until after October 5, 1980, so that there would be no changes in quotas during, or shortly before, the 1980 Annual Meeting of the Board of Governors, when the next election of Executive Directors will take place. If the participation requirement were met during the period July 1 to October 5, 1980, increases in quotas would become effective only after October 5, 1980.

The participation requirement in paragraph 2 is reached when the Fund determines that members having not less than 75 per cent of the total of quotas on November 1, 1978 have consented to increases in their quotas. In determining whether this degree of participation has been reached, the Fund will take into account
all consents to increases, whether they are increases to the maximum amount provided for or to a smaller amount.

8. The proposed Resolution does not provide for increases in quotas by fixed installments. A member will be able, however, to consent to an increase smaller than the maximum provided for. The member will be able to consent to further increases, up to the maximum provided for, at a later date, provided it is within the period for consent under paragraph 3 of the proposed Resolution.

9. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later.

10. Reflecting the understandings reached at the September 1978 meeting of the Interim Committee, 25 per cent of the increase in quotas proposed as a result of the current review should be paid in SDRs for those members that are participants in the Special Drawing Rights Department, and 25 per cent of the increase in the quotas of nonparticipants should be paid in the currencies of other members specified by the Fund, subject to their concurrence. The balance of the increase shall be in a member's own currency. These payments are in accordance with the prescription of Article III, Section 3 (a), and therefore it is not necessary to include any provision for the payment of increases in the Resolution.

11. In accordance with paragraph 3 of the Interim Committee's communiqué of September 24, 1978, the Executive Board has taken decisions on aspects of the special drawing right that are referred to in paragraph 5 of that communiqué. These decisions will become effective on the dates referred to in them if the proposed Resolution and the Resolution on allocations of SDRs become effective. The proposed Resolution provides that it will become effective if it and the proposed Resolution on the
Allocation of Special Drawing Rights are adopted by the necessary majority of the total voting power for each.

12. The Executive Board recommends adoption of the attached Resolution. The attached Resolution is designed to enable the Board of Governors to vote at one time on all matters connected with the increases in quotas under the Resolution.

October 25, 1978

Proposed Resolution of the Board of Governors*

Whereas the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Seventh General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

Whereas the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Seventh General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

Now, therefore, the Board of Governors hereby resolves that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution, provided that any member may consent to an increased quota that is smaller than the one shown in the Annex, and may consent thereafter to further increases that raise its quota to the amount shown against its name in the Annex not later than the date prescribed by or under paragraph 3 below.

*Adopted by the Board of Governors, effective December 11, 1978, and designated No. 34-2.
2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 3 below and has paid the increase in quota in full, provided that (a) no increase in quota shall become effective before the date of the Fund's determination that members having not less than three-fourths of the total of quotas on November 1, 1978 have consented to increases in their quotas, and (b) if the determination has not been made before July 1, 1980, no increase in quota shall become effective until after October 5, 1980.

3. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund not later than November 1, 1980, provided that the Executive Board may extend this period as it may determine.

4. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent or (b) the date of the Fund's determination under paragraph 2 above. If this determination is made in the period between July 1 and October 5, 1980, for the purpose of this paragraph it shall be deemed to have been made on October 5, 1980.

5. This Resolution shall become effective if it and the Proposed Resolution on Allocation of Special Drawing Rights for the Third Basic Period are adopted by the necessary majority of the total voting power for each.
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F. Increases in Quotas of Members—Eighth General Review

REPORT OF THE EXECUTIVE BOARD TO THE
BOARD OF GOVERNORS

1. Article III, Section 2(a) of the Articles of Agreement provides that "The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned." This report and the attached Resolution on increases in quotas under the current, i.e., Eighth, General Review are submitted to the Board of Governors in accordance with Article III, Section 2.

2. The Seventh General Review of Quotas was completed by Board of Governors Resolution No. 34-2, adopted December 11, 1978. To comply with the five-year interval prescribed by Article III, Section 2(a), the Eighth General Review has to be completed not later than December 11, 1983. In the Report of the Executive Board to the Board of Governors on Increases in Quotas of Fund Members—Seventh General Review, it was stated that:

The Executive Board will review the customary method of calculating quotas after the Seventh Review of Quotas has been completed. In the context of the next general review of quotas, the Executive Board will examine the quota shares of members in relation to their positions in the world economy with a view to adjusting those shares better to reflect members’ relative economic positions while having regard to the desirability of an appropriate balance in the composition of the Executive Board.

3. At its meeting in Helsinki, Finland, in May 1982, the Interim Committee urged the Executive Board to pursue its work on the Eighth General Review as a matter of high priority. At that meeting the Committee also "...noting that the present quotas of a significant number of members do not reflect their
relative positions in the world economy,... reaffirmed its view that the occasion of an enlargement of the Fund under the Eighth General Review should be used to bring the quotas of these members more in line with their relative positions, taking account of the case for maintaining a proper balance between the different groups of countries." At its meeting in Toronto, Canada, in September 1982, the Committee noted that "there was widespread support in the Committee on the urgent need for a substantial increase in quotas under the Eighth General Review" and "urged the Executive Board to pursue its work on the issues of the Review as a matter of high priority, so that the remaining issues on the size and distribution of the quota increase could be resolved by the time of the Committee's next meeting in April 1983."

4. In its discussions on the Eighth General Review, the Executive Board has considered, inter alia, (i) the method of calculating quotas; (ii) the size of the overall increase in quotas; (iii) the distribution of the overall increase; (iv) the position of countries with very small quotas in the Fund; and (v) the mode of payment for the increase in quotas.

5. As regards the Executive Board’s review of the method of calculating quotas, the Executive Board agreed to certain changes regarding the quota formulas used for calculating quotas in connection with the Eighth General Review. The Executive Board accepted the quota calculations based on the revised quota formulas as reasonable indicators of the relative positions of countries in the world economy, though some Directors felt that they do not provide a wholly satisfactory measure of relative economic positions. It is understood that the changes that have been made do not preclude further appropriate changes in connection with future reviews.

6. At the meeting of the Interim Committee held in Washington in February 1983, which had been advanced from April 1983, agreement was reached on all major issues of the Eighth
Review, as reflected in the relevant passages from the Committee's communique of February 11, 1983, as follows:

(a) The total of Fund quotas should be increased under the Eighth General Review from approximately SDR 61.03 billion to SDR 90 billion (equivalent to about US$98.5 billion).

(b) Forty per cent of the overall increase should be distributed to all members in proportion to their present individual quotas, and the balance of sixty per cent should be distributed in the form of selective adjustments in proportion to each member's share in the total of the calculated quotas, i.e., the quotas that broadly reflect members' relative positions in the world economy.

(c) Twenty-five per cent of the increase in each member's quota should be paid in SDRs or in usable currencies of other members.

The Committee also considered the possibility of a special adjustment of very small quotas, i.e., those quotas that are currently less than SDR 10 million, and agreed to refer this matter to the Executive Board for urgent consideration in connection with the implementation of the main decision.

7. As requested by the Interim Committee at its meeting on February 11, 1983, the Executive Board has considered the position of the 17 members with very small quotas—i.e., those with quotas that at present are less than SDR 10 million. The Executive Board proposes that the quotas of these members should, after being increased in accordance with (b) quoted in paragraph 6 above, be further adjusted to the next higher multiple of SDR 0.5 million. The Executive Board proposes that all other quotas be rounded to the next higher multiple of SDR 0.1 million. The rounding to SDR 0.5 million would provide for larger quota increases relative to present quotas for most of the members with very small quotas.

8. In accordance with the agreement reached by the Interim Committee at its meeting on February 11, 1983, on items (a) and (b) quoted in paragraph 6 above and with rounding adjustments indicated in paragraph 7 above, the Executive Board proposes to the Board of Governors that the new quotas of members be as set
out in the Annex to the proposed Resolution. These increases would raise Fund quotas from approximately SDR 61 billion to approximately SDR 90 billion.

9. Article III, Section 3(a) provides that 25 per cent of any increase shall be paid in special drawing rights, but permits the Board of Governors to prescribe, inter alia, that this payment may be made on the same basis for all members, in whole or in part in the currencies of other members specified by the Fund, subject to their concurrence. Paragraph 5 of the Resolution provides that 25 per cent of the increase in quotas proposed as a result of the current review should be paid in SDRs or in currencies of other members selected by the Fund, subject to their concurrence, or in any combination of SDRs and such currencies. The balance of the increase shall be paid in a member's own currency. A reserve asset payment will help strengthen the liquidity of the Fund and will not impose an undue burden on members because under the existing decisions of the Fund a reserve asset payment will either enlarge or create a reserve tranche position of an equivalent amount. In addition, the Fund stands ready to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund to borrow SDRs from other members willing to cooperate; these loans would be made on the condition that such members would repay on the same day the loans from the SDR proceeds of drawings of reserve tranches which had been established by the payment of SDRs.

10. Under the proposed Resolution, a member will be able to consent only to the amount of quota proposed for it in the Annex. A member will be able to consent to the increase in its quota at any time before 6:00 p.m., Washington time, November 30, 1983. In order to meet this time, members will have until the end of November 1983 to complete whatever action may be necessary under their laws to enable them to give their consents.

11. A member's quota cannot be increased until it has consented to the increase and paid the subscription. Under the
proposed Resolution, the increase in a member's quota will take effect only after the Fund has received the member's consent to the increase in quota and a member has paid the increase in subscription, provided that the quota cannot become effective before the date on which the Fund determines that the participation requirement in paragraph 2 of the proposed Resolution has been satisfied. The Executive Board is authorized by paragraph 3 of the proposed Resolution to extend the period of consent.

12. The participation requirement in paragraph 2 will be reached when the Fund determines that members having not less than seventy per cent of the total of quotas on February 28, 1983 have consented to the increases in their respective quotas as set out in the Annex.

13. The proposed Resolution provides that a member must pay the increase in its subscription within 30 days after (a) the date on which the member notifies the Fund of its consent, or (b) the date on which the participation requirement is met, whichever is the later.

14. The Executive Board recommends that the Board of Governors adopt the attached Resolution that covers all the matters on which the Governors are requested to act. The adoption of the Resolution requires positive responses from Governors having an 85 per cent majority of the total voting power.

February 25, 1983

Proposed Resolution of the Board of Governors*

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Eighth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption

*Adopted by the Board of Governors, effective March 31, 1983, and designated No. 38-1.
of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Eighth General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

Now, therefore, the Board of Governors hereby resolves that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 3 below and has paid the increase in quota in full, provided that no increase in quota shall become effective before the date of the Fund's determination that members having not less than 70 per cent of the total of quotas on February 28, 1983 have consented to the increases in their quotas.

3. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, November 30, 1983, provided that the Executive Board may extend this period as it may determine.

4. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date of the Fund's determination under paragraph 2 above.

5. Each member shall pay twenty-five per cent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.
## ANNEX

<table>
<thead>
<tr>
<th>Country</th>
<th>Proposed Quota (In millions of SDRs)</th>
<th>Proposed Quota (In millions of SDRs)</th>
</tr>
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<td>1. Afghanistan</td>
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<td>33. Djibouti</td>
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<td>5. Australia</td>
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<td>66.4</td>
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<td>14. Bhutan</td>
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<td>15. Bolivia</td>
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<td>22.1</td>
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<td>(In millions of SDRs)</td>
<td>(In millions of SDRs)</td>
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<td>Proposed Quota (in millions of SDRs)</td>
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<td>140. Western Samoa .................... 6.0</td>
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</tr>
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G. Allocation of Special Drawing Rights for the First Basic Period

Resolution

WHEREAS the Managing Director has submitted a proposal for the allocation of special drawing rights pursuant to Article XXIV,* Section 4, of the Articles of Agreement of the International Monetary Fund; and

WHEREAS in the Report containing his proposal, the Managing Director has declared that, before making the proposal, he had satisfied himself that the proposal will be consistent with the provisions of Article XXIV, Section 1(a), and that, after consultation, he has ascertained that there is broad support among participants for the proposal;

WHEREAS the Managing Director, on the occasion of this proposal for the first allocation, has satisfied himself that the provisions of Article XXIV, Section 1(b), have been met and that there is broad support among participants to begin allocations; and

WHEREAS the Executive Directors have concurred in the proposal of the Managing Director;

Now, THEREFORE, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles and considerations governing the allocation of special drawing rights set forth in Article XXIV, Section 1, hereby RESOLVES that:

1. The Fund shall make allocations to participants in the Special Drawing Account, in accordance with the Articles of Agreement, during a basic period of three years which shall begin on January 1, 1970.


*Corresponds to Article XVIII of the Articles of Agreement after the Second Amendment.
3. Allocations shall be on the basis of quotas on the day before the dates of the allocations.

4. The rate for the first allocation shall be 17.5 per cent and the rate for the second and third allocations shall be 15 per cent, provided that these rates shall be adjusted, to the nearest one tenth of one percentage point, by multiplying them by the ratio of $20 billion to the total of quotas on the day before allocation of those participants which were members of the Fund on December 31, 1969.

Resolution No. 24-12
October 3, 1969
H. Allocation of Special Drawing Rights for the Third Basic Period

Proposal by the Managing Director of the International Monetary Fund

Introduction

Article XVIII, Section 4(a) and (b) of the Articles of Agreement of the Fund provides in relevant part that:

“(a) Decisions under Section 2(a), (b), and (c) or Section 3 of this Article shall be made by the Board of Governors on the basis of proposals of the Managing Director concurred in by the Executive Board.

(b) Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(a) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal.”

On June 29, 1977, the Managing Director made a report to the Board of Governors entitled “Report by the Managing Director to the Board of Governors and to the Executive Directors on the Allocation of Special Drawing Rights (Article XXIV, Section 4(c)),”* which concluded that, with respect to the third basic period, which would start on January 1, 1978, the Managing Director was not in a position to make a proposal before January 1, 1978.

The Report referred to above noted that the Managing Director can make a proposal at any time during the third basic period when he is satisfied that the requisite conditions of Article XVIII, Section 4(b) are fulfilled, and indeed is obliged to do so by Article XVIII, Section 4(c).

*Corresponds to Article XVIII, Section 4(c) of the Articles of Agreement after the Second Amendment.

Res. 34-3

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Pursuant to Article XVIII, Section 4(a) and (b), I am now submitting to the Board of Governors a proposal for allocation of special drawing rights during the third basic period. Before making this proposal, I have satisfied myself, as required by Article XVIII, Section 4(b), that the proposal will be consistent with the provisions of Section 1(a) of that Article. Section 1(a) provides that:

"(a) In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world."

In addition, consultations have been conducted pursuant to Article XVIII, Section 4(b), which have enabled me to ascertain that there is broad support among participants for the proposal set forth in this Report. I refer in particular to paragraph 4 of the Press Communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, issued after its meeting on September 24, 1978, which states: "In the Committee's view the Fund should make allocations of 4 billion SDRs in each of the next three years 1979 to 1981."

Parts I and II of this Report, which follow, discuss the reasons underlying my proposal and explain its various features. Part III includes the proposal and the draft of a resolution of the Board of Governors approving allocation of special drawing rights in accordance with this proposal.

Part 1. Need to Supplement Reserves

1. Basis for allocation

This proposal to allocate special drawing rights is made in accordance with my conclusion that, as required by Arti-
Article XVIII, Section 1(a), there is at present "a long-term global need . . . to supplement existing reserve assets." The basis for this conclusion is set forth below.

With greater exchange rate flexibility, countries might have been expected to make do with much smaller reserves. Moreover, important changes have taken place in world financial markets in the last decade, and most countries can obtain reserves by making use of international money and capital markets.

Experience shows, however, that countries want to increase their reserves as the level of their international transactions rises, and such increases can be expected to continue in the coming years. While it is true that most countries have a means for satisfying their need for reserves when international capital markets are as free as they are today, the decision to allocate special drawing rights does not depend on a finding that the long-term global need cannot be met except by allocation. A characteristic of a system in which countries add to their gross reserves as their international indebtedness increases is that they are faced with the need for periodic refinancing. This difficulty does not arise when additions to net reserves are made through allocation of special drawing rights.

Another consideration is the objective of making the special drawing right the principal reserve asset of the international monetary system, as set out in Article VIII, Section 7 and Article XXII. Exclusive reliance on the accumulation of reserve currencies to provide the needed reserve increases would hardly be compatible with that objective. Although the role of the special drawing right does not depend on purely quantitative considerations, the amount of special drawing rights in existence is nonetheless relevant. The volume of special drawing rights has not increased since the beginning of 1972, and thus the share of this component in international liquidity has been progressively reduced. When allocation of special drawing rights for 1970–72 was decided upon at the end of 1969, it was thought that thereafter special drawing rights might well account for the bulk...
of reserve increases. In the event, holdings of reserve currencies have increased much faster than expected, and the actual share of holdings of special drawing rights in reserves excluding gold has declined from about 10 per cent at the beginning of 1972 to about 4 per cent at present. In the absence of allocation, the special drawing right would continue its rapid decline as a proportion of reserves.

In view of these considerations, I have concluded that, in accordance with the Articles, a decision should be taken to resume allocation of special drawing rights.

2. Size and period of allocation

Views on the desirable size of allocations of special drawing rights naturally take into account the present magnitude and expected growth of official reserves. The growth of official reserves in turn bears a relationship to the value of world trade, which for the next five years can conservatively be estimated to increase by some 10 per cent a year. The ratio of official reserves to the value of international trade has varied, however, from one period to another, and the increase in reserves could thus be above or below that rate. With the present level of members' holdings of foreign exchange and Fund-related assets of SDR 230 billion, an average increase of SDR 20 billion a year over the next five years would appear to be a low estimate of the likely growth. Figures of this kind do not, of course, provide precise guidance for determining the appropriate level and time of allocations of special drawing rights, but do offer some point of reference for consideration in making such decisions.

It can be maintained, although this view is not universally shared, that with a highly elastic supply of reserves available through international capital markets, a substantial part of any allocation of special drawing rights could be expected to substitute for increases in official holdings of foreign exchange that would otherwise have taken place. This line of reasoning would suggest that any expansionary effects of allocation would
be limited in size. Whatever view is taken of these issues, there can be no question that in the world of today the possible effects on expectations with respect to inflation of a decision to allocate special drawing rights also need to be taken into account. This consideration suggests that allocations at this time should be modest in terms of both annual size and the length of the period for which they should be made.

I have therefore concluded that the Fund should make allocations of SDR 4 billion in each of the next three years 1979 to 1981. In specifying these amounts, I have also had in mind the agreement that has been reached that special drawing rights will be used in partial payment for the quota increases that are to take place under the Seventh General Review of Quotas. The first allocation would be made as of the first day of the month following the effective date of the resolution of the Board of Governors, and the succeeding two allocations would be made as of the same day in each of the subsequent two years.

Part II. Elements of the Proposal

3. Proposed basic period

Article XVIII, Section 2(a) specifies that: "Decisions of the Fund to allocate or cancel special drawing rights shall be made for basic periods which shall run consecutively and shall be five years in duration." That same section, however, allows the Fund to provide that the duration of a basic period shall be other than five years.

On the occasion of the first decision to allocate, a basic period of three years running from January 1, 1970 was prescribed. The second basic period thus began on January 1, 1973; as the Fund did not provide otherwise, that period ran for five years, with the current, i.e., third, basic period beginning on January 1, 1978.

It is proposed that allocations now be made under Article XVIII, Sections 2(c) and 4(c)(ii) for three years of the third basic period, and that the basic period end on the final day of the
year in which the last of the three annual allocations is made. The third basic period that began on January 1, 1978 would thus have a terminal date of December 31, 1981 and a duration of four years, with allocations in the last three of those four years.

4. Participation during basic period

Article XVIII, Section 2(d) deals with members that become participants after a basic period begins—on this occasion, as from January 1, 1978. New participants may be new or existing members. New participants would include two classes: (a) those that were not participants at the start of the third basic period but that were participants on the effective date of the proposed resolution and (b) those that become participants after the effective date of the resolution. Article XVIII, Section 2(d) declares that a new participant shall not receive allocations in the basic period in which it becomes a participant but authorizes the Fund to decide to permit the member to receive allocations made after it becomes a participant. The decision referred to is taken by the Executive Board by a majority of the votes cast. I would expect that the Executive Board would react sympathetically to any request by a new participant, whether in class (a) or (b), above, to receive allocations made in the third basic period after it becomes a participant.

5. Allocations as percentages of quotas

Article XVIII, Section 2(b) provides that: "The rates at which allocations are to be made shall be expressed as percentages of quotas on the date of each decision to allocate," but the Fund, under Section 2(c) of the same Article, may provide that the basis for allocations shall be quotas on dates other than the dates of decisions to allocate.

On the assumption that the only members receiving allocations were those that are at present participants, the rate for the first allocation would be 10.6 per cent of quotas. The method adopted to express the percentages of quotas for the proposal is designed to ensure that each of the three allocations will be close
to SDR 4 billion and the total amount allocated will be close to SDR 12 billion. Specifically, the total would not be increased if the Executive Board should decide, by the date that the resolution of the Board of Governors becomes effective, to make new participants in class (a) of section 4, above, i.e., members that were not participants at the start of the third basic period but were participants on the effective date of the resolution, eligible to receive the allocations for that period.

The total amount of allocations would be reduced, however, if participants entitled to receive allocations "opt out." In contrast, the total amount of allocations would be increased when any new participants in class (b) of section 4, above, i.e., those that become participants after the effective date of the resolution, are made eligible, by a decision of the Executive Board, to receive allocations made after they become participants.

The proposal also provides that the basis for each allocation shall be quotas on the day before that allocation. This provision is intended to deal with the expectation that increases in quotas under the Seventh General Review are to take place during the third basic period. It would have the result that all participants for which new quotas had gone into effect by the day prior to the allocation in question would receive allocations based on their share in the total quotas prevailing on that day, and that those participants whose new quotas had not gone into effect would receive a much reduced share.

6. Interrelated issues

The draft resolution provides that it would not become effective unless the draft resolution on the Seventh General

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1Because the percentage is to be rounded to the nearest one-tenth of one percentage point, an allocation could in practice exceed or fall short of the desired amount by not more than one-twentieth of one percentage point of total quotas, i.e., a difference in absolute terms that would not be greater than about SDR 19 million on the basis of quotas at the present time.

2For a participant to be able to "opt out," in accordance with Article XVIII, Section 2(e), it must not have voted in favor of the resolution and must inform the Fund before the first allocation under the resolution that it does not wish to receive allocations under that resolution.
Review of Quotas that is being proposed for simultaneous adoption by the Board of Governors is adopted.* This provision of the draft resolution on allocation is in accordance with paragraph 3 of the Interim Committee's communiqué of September 24, 1978. In accordance with the same paragraph, the Executive Board has taken decisions on aspects of the special drawing right that are referred to in paragraph 5 of the communiqué. These decisions will become effective on the dates provided for in the decisions if the draft resolution becomes effective.

Part III. Proposal for the Allocation of Special Drawing Rights

I hereby propose that the Fund allocate special drawing rights to the participants in the Special Drawing Rights Department, in accordance with the Articles of Agreement, as follows:

1. The third basic period, which began on January 1, 1978, shall end on December 31, 1981.

2. Allocations during this basic period shall be made as of the first day of the month following the effective date of the resolution of the Board of Governors and as of the same date in each of the subsequent two years.

3. The rate for each participant receiving an allocation shall be the percentage, rounded to the nearest one-tenth of one percentage point, resulting from dividing SDR 4 billion by the total of quotas on the day before allocation of those participants that were eligible to receive allocations on the date on which this resolution becomes effective.

I further recommend that in accordance with the foregoing proposal, which has been concurred in by the Executive Board on October 25, 1978, the Board of Governors adopt the following proposed resolution.

October 25, 1978

*See pages 426–30.
Proposed Resolution of the Board of Governors*

WHEREAS the Managing Director has submitted a proposal for the allocation of special drawing rights pursuant to Article XVIII, Section 4, of the Articles of Agreement of the International Monetary Fund;

WHEREAS in the Report containing his proposal, the Managing Director has declared that, before making the proposal, he had satisfied himself that the proposal would be consistent with the provisions of Article XVIII, Section 1(a), and that, after consultation, he has ascertained that there is broad support among participants for the proposal; and

WHEREAS the Executive Board has concurred in the proposal of the Managing Director;

NOW, THEREFORE, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles governing the allocation of special drawing rights set forth in Article XVIII, Section 1(a) hereby RESOLVES that:

1. The third basic period, which began on January 1, 1978, shall end on December 31, 1981.

2. The Fund shall make allocations to participants in the Special Drawing Rights Department that are eligible, in accordance with the Articles of Agreement, to receive allocations during the third basic period.

3. Allocations shall be made as of the first day of the month following the date on which this resolution becomes effective and as of the same date in each of the subsequent two years.

4. The rate for the allocations to participants eligible to receive allocations in accordance with 2 above shall be the percentage, rounded to the nearest one-tenth of one percentage point, resulting from dividing SDR 4 billion by the total of

*Adopted by the Board of Governors, effective December 11, 1978, and designated No. 34-3.

Res. 34-3

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ALLOCATION OF SPECIAL DRAWING RIGHTS

quotas on the day before allocation of those participants that were eligible to receive allocations on the date on which this resolution becomes effective.

5. This resolution shall become effective if it and the proposed resolution on the Seventh General Review of Quotas are adopted by the necessary majority of the total voting power for each.
I. Report of the Managing Director to the Board of Governors and to the Executive Board Pursuant to Article XVIII, Section 4(c)

This report is submitted pursuant to Article XVIII, Section 4(c) of the Articles of Agreement which provides, in part, as follows:

The Managing Director shall make proposals:
(i) not later than six months before the end of each basic period;

provided that, if under (i) above the Managing Director ascertains that there is no proposal which he considers to be consistent with the provisions of Section 1 of this Article that has broad support among participants in accordance with (b) above, he shall report to the Board of Governors and to the Executive Board.

The present basic period, which is the third one, began on January 1, 1978 and will end on December 31, 1981. In view of the provision in Article XVIII, Section 4 quoted above, the Managing Director must submit his proposal, or his report if he is unable to make a proposal, not later than June 30, 1981. As stated in that provision, he must submit a proposal to the Board of Governors if he is satisfied that a proposal could be made which, in his view, would be (i) consistent with the provisions of Section 1(a) of Article XVIII and (ii) would have broad support among participants in accordance with Section 4(b) of the same Article. He must report to the Board of Governors and to the Executive Board if he is not so satisfied. Section 1(a) and the relevant part of Section 4(b) provide as follows:

Section 1(a):

In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.
Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(a) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal.

Under Article XVIII, Section 4(d), and Article XXI(a)(i) decisions of the Board of Governors approving proposals of the Managing Director require an eighty-five per cent majority of the total voting power of participants in the Special Drawing Rights Department. As all members of the Fund are now participants in the Special Drawing Rights Department, this means eighty-five per cent of the total voting power in the Fund.

The question of allocations of SDRs in the fourth basic period has been under discussion in the Executive Board, which considered the matter in meetings in January and April 1981. The consideration by the Executive Board was on the basis of staff memoranda providing background material and discussing the considerations relevant to the determination of the existence of a global need to supplement existing reserves and the size of the SDR allocation in the next basic period, including the objective under the Articles of Agreement of making the SDR the principal reserve asset in the international monetary system. During the discussions in the Executive Board, many Executive Directors expressed support for allocations in the fourth basic period, while some Directors were not prepared to support any allocations, and there was a wide range of views about possible amounts. These discussions, therefore, did not lead to a conclusion on the part of the Executive Board on the matter of allocations.

The question of allocations during the fourth basic period was considered by the Interim Committee at its meeting in Libreville, Gabon, on May 21, 1981. The communique issued by the Committee at the conclusion of that meeting contained the following paragraph:

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The members of the Committee considered the question of allocations of SDRs in the next, i.e., the fourth, basic period, which is scheduled to begin on January 1, 1982. The members of the Committee discussed this matter on the basis of the provisions of the Fund's Articles of Agreement and in the light of the various relevant factors, including the importance of strengthening the role of the SDR as a reserve asset and the need to avoid an undue increase in international liquidity. Many members supported the continuation of allocations in the fourth basic period and expressed the view that every effort should be made to achieve a consensus on this matter. Some other members considered that no case had been established in accordance with the principles laid down in the Articles of Agreement for an allocation in the near future. The Committee urged the Executive Board to continue its deliberations on the subject to enable the Managing Director to submit to the Board of Governors at the earliest possible date a proposal that would command the necessary support among members.

On the basis of discussions that have taken place, I have concluded that I am not in a position to make, by June 30 of this year, a proposal for allocations of SDRs in the fourth basic period that would command a broad support among the members of the Fund in accordance with the Articles. As provided in Article XVIII, Section 4(c)(ii), however, it remains incumbent upon me to make a proposal regarding the fourth basic period as soon as I am satisfied that the requirements of Article XVIII, Section 4(d) are fulfilled. I shall, therefore, submit a proposal for allocations of SDRs in the fourth basic period as soon as further discussions and consultations lead me to the conclusion that there is broad support for a proposal that would be consistent with the Articles. In this connection, it is of importance that the Executive Board will, as requested by the Interim Committee, continue its deliberations on the subject with a view to arriving at conclusions that would enable me to make a proposal as soon as possible.

June 9, 1981
Selected Documents
Relating to
the Fund and the United Nations
A. Agreement Between the United Nations and the International Monetary Fund*

Article 1

GENERAL

1. This agreement, which is entered into by the United Nations pursuant to the provisions of Article 63 of its Charter, and by the International Monetary Fund (hereinafter called the Fund), pursuant to the provisions of Article X of its Articles of Agreement, is intended to define the terms on which the United Nations and the Fund shall be brought into relationship.

2. The Fund is a specialized agency established by agreement among its member governments and having wide international responsibilities, as defined in its Articles of Agreement, in economic and related fields within the meaning of Article 57 of the Charter of the United Nations. By reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Fund is, and is required to function as, an independent international organization.

3. The United Nations and the Fund are subject to certain necessary limitations for the safeguarding of confidential material furnished to them by their members or others, and nothing in this agreement shall be construed to require either of them to furnish any information the furnishing of which would, in its judgment, constitute a violation of the confidence of any of its members or anyone from whom it shall have received such information, or which would otherwise interfere with the orderly conduct of its operations.

Article II

RECIPROCAL REPRESENTATION

1. Representatives of the United Nations shall be entitled to attend, and to participate without vote in, meetings of the Board

*The Agreement came into force November 15, 1947.
of Governors of the Fund. Representatives of the United Nations shall be invited to participate without vote in meetings especially called by the Fund for the particular purpose of considering the United Nations point of view in matters of concern to the United Nations.

2. Representatives of the Fund shall be entitled to attend meetings of the General Assembly of the United Nations for purposes of consultation.

3. Representatives of the Fund shall be entitled to attend, and to participate without vote in, meetings of the committees of the General Assembly, meetings of the Economic and Social Council, of the Trusteeship Council and of their respective subsidiary bodies, dealing with matters in which the Fund has an interest.

4. Sufficient advance notice of these meetings and their agenda shall be given so that, in consultation, arrangements can be made for adequate representation.

Article III

Proposal of Agenda Items

In preparing the agenda for meetings of the Board of Governors, the Fund will give due consideration to the inclusion in the agenda of items proposed by the United Nations. Similarly, the Council and its commissions and the Trusteeship Council will give due consideration to the inclusion in their agenda of items proposed by the Fund.

Article IV

Consultation and Recommendations

1. The United Nations and the Fund shall consult together and exchange views on matters of mutual interest.

2. Neither organization, nor any of their subsidiary bodies, will present any formal recommendations to the other without
reasonable prior consultation with regard thereto. Any formal recommendations made by either organization after such consultation will be considered as soon as possible by the appropriate organ of the other.

Article V

EXCHANGE OF INFORMATION

The United Nations and the Fund will, to the fullest extent practicable and subject to paragraph 3 of article I, arrange for the current exchange of information and publications of mutual interest, and the furnishing of special reports and studies upon request.

Article VI

SECURITY COUNCIL

1. The Fund takes note of the obligation assumed, under paragraph 2 of Article 48 of the United Nations Charter, by such of its members as are also Members of the United Nations, to carry out the decisions of the Security Council through their action in the appropriate specialized agencies of which they are members, and will, in the conduct of its activities, have due regard for decisions of the Security Council under Articles 41 and 42 of the United Nations Charter.

2. The Fund agrees to assist the Security Council by furnishing to it information in accordance with the provisions of article V of this agreement.

Article VII

ASSISTANCE TO THE TRUSTEESHIP COUNCIL

The Fund agrees to co-operate with the Trusteeship Council in the carrying out of its functions by furnishing information and technical assistance upon request, and in such other similar ways as may be consistent with the Articles of Agreement of the Fund.
Article VIII

INTERNATIONAL COURT OF JUSTICE

The General Assembly of the United Nations hereby authorizes the Fund to request advisory opinions of the International Court of Justice on any legal questions arising within the scope of the Fund's activities other than questions relating to the relationship between the Fund and the United Nations or any specialized agency. Whenever the Fund shall request the Court for an advisory opinion, the Fund will inform the Economic and Social Council of the request.

Article IX

STATISTICAL SERVICES

1. In the interests of efficiency and for the purpose of reducing the burden on national Governments and other organizations, the United Nations and the Fund agree to co-operate in eliminating unnecessary duplication in the collection, analysis, publication and dissemination of statistical information.

2. The Fund recognizes the United Nations as the central agency for the collection, analysis, publication, standardization and improvement of statistics serving the general purposes of international organizations, without prejudice to the right of the Fund to concern itself with any statistics so far as they may be essential for its own purposes.

3. The United Nations recognizes the Fund as the appropriate agency for the collection, analysis, publication, standardization and improvement of statistics within its special sphere, without prejudice to the right of the United Nations to concern itself with any statistics so far as they may be essential for its own purposes.

4. (a) In its statistical activities the Fund agrees to give full consideration to the requirements of the United Nations and of the specialized agencies.
In its statistical activities the United Nations agrees to give full consideration to the requirements of the Fund.

5. The United Nations and the Fund agree to furnish each other promptly with all their non-confidential statistical information.

Article X

ADMINISTRATIVE RELATIONSHIPS

1. The United Nations and the Fund will consult from time to time concerning personnel and other administrative matters of mutual interest, with a view to securing as much uniformity in these matters as they shall find practicable and to assuring the most efficient use of the services and facilities of the two organizations. These consultations shall include determination of the most equitable manner in which special services furnished by one organization to the other should be financed.

2. To the extent consistent with the provisions of this agreement, the Fund will participate in the work of the Co-ordination Committee and its subsidiary bodies.

3. The Fund will furnish to the United Nations copies of the annual report and the quarterly financial statements prepared by the Fund pursuant to section 7(a) of Article XII of its Articles of Agreement. The United Nations agrees that, in the interpretation of paragraph 3 of Article 17 of the United Nations Charter it will take into consideration that the Fund does not rely for its annual budget upon contributions from its members, and that the appropriate authorities of the Fund enjoy full autonomy in deciding the form and content of such budget.

4. The officials of the Fund shall have the right to use the laissez-passer of the United Nations in accordance with special arrangements to be negotiated between the Secretary-General of the United Nations and the competent authorities of the Fund.
Article XI

AGREEMENTS WITH OTHER ORGANIZATIONS

The Fund will inform the Economic and Social Council of any formal agreement which the Fund shall enter into with any specialized agency, and in particular agrees to inform the Council of the nature and scope of any such agreement before it is concluded.

Article XII

LIAISON

1. The United Nations and the Fund agree to the foregoing provisions in the belief that they will contribute to the maintenance of effective co-operation between the two organizations. Each agrees that it will establish within its own organization such administrative machinery as may be necessary to make the liaison, as provided for in this agreement, fully effective.

2. The arrangements provided for in the foregoing articles of this agreement shall apply, as far as is appropriate, to relations between such branch or regional offices as may be established by the two organizations, as well as between their central machinery.

Article XIII

MISCELLANEOUS

1. The Secretary-General of the United Nations and the Managing Director of the Fund are authorized to make such supplementary arrangements as they shall deem necessary or proper to carry fully into effect the purposes of this agreement.

2. This agreement shall be subject to revision by agreement between the United Nations and the Fund from the date of its entry into force.
3. This agreement may be terminated by either party thereto on six months' written notice to the other party, and thereupon all rights and obligations of both parties hereunder shall cease.

4. This agreement shall come into force when it shall have been approved by the General Assembly of the United Nations and the Board of Governors of the Fund.

Whereas the General Assembly of the United Nations adopted on 13 February 1946 a resolution contemplating the unification as far as possible of the privileges and immunities enjoyed by the United Nations and by the various specialized agencies; and

Whereas consultations concerning the implementation of the aforesaid resolution have taken place between the United Nations and the specialized agencies;

Consequently, by resolution 179(II) adopted on 21 November 1947, the General Assembly has approved the following Convention, which is submitted to the specialized agencies for acceptance and to every Member of the United Nations and to every other State member of one or more of the specialized agencies for accession.

Article I
DEFINITION AND SCOPE

Section 1

In this Convention:

(i) The words "standard clauses" refer to the provisions of articles II to IX.

(ii) The words "specialized agencies" mean:

(a) The International Labour Organisation;

(b) The Food and Agriculture Organization of the United Nations;

(c) The United Nations Educational, Scientific and Cultural Organization;

*The Convention was adopted by the United Nations General Assembly on November 21, 1947. The Executive Directors of the Fund accepted the standard clauses of the Convention and approved Annex V with respect to the Fund on April 11, 1949. The Annex became effective on May 9, 1949, when it was received by the United Nations.
(d) The International Civil Aviation Organization;
(e) The International Monetary Fund;
(f) The International Bank for Reconstruction and Development;
(g) The World Health Organization;
(h) The Universal Postal Union;
(i) The International Telecommunication Union; and
(j) Any other agency in relationship with the United Nations in accordance with Articles 57 and 63 of the Charter.

(iii) The word "Convention" means, in relation to any particular specialized agency, the standard clauses as modified by the final (or revised) text of the annex transmitted by that agency in accordance with sections 36 and 38.

(iv) For the purposes of article III, the words "property and assets" shall also include property and funds administered by a specialized agency in furtherance of its constitutional functions.

(v) For the purposes of articles V and VII, the expression "representatives of members" shall be deemed to include all representatives, alternates, advisers, technical experts and secretaries of delegations.

(vi) In sections 13, 14, 15 and 25, the expression "meetings convened by a specialized agency" means meetings: (1) of its assembly and of its executive body (however designated), and (2) of any commission provided for in its constitution; (3) of any international conference convened by it; and (4) of any committee of any of these bodies.

(vii) The term "executive head" means the principal executive official of the specialized agency in question, whether designated "Director-General" or otherwise.
Section 2

Each State party to this Convention in respect of any specialized agency to which this Convention has become applicable in accordance with section 37 shall accord to, or in connexion with, that agency the privileges and immunities set forth in the standard clauses on the conditions specified therein, subject to any modification of those clauses contained in the provisions of the final (or revised) annex relating to that agency and transmitted in accordance with sections 36 or 38.

Article II

JURIDICAL PERSONALITY

Section 3

The specialized agencies shall possess juridical personality. They shall have the capacity (a) to contract, (b) to acquire and dispose of immovable and movable property, (c) to institute legal proceedings.

Article III

PROPERTY, FUNDS AND ASSETS

Section 4

The specialized agencies, their property and assets, wherever located and by whomsoever held, shall enjoy immunity from every form of legal process except in so far as in any particular case they have expressly waived their immunity. It is, however, understood that no waiver of immunity shall extend to any measure of execution.

Section 5

The premises of the specialized agencies shall be inviolable. The property and assets of the specialized agencies, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation and any other form
interference, whether by executive, administrative, judicial or legislative action.

Section 6

The archives of the specialized agencies, and in general all documents belonging to them or held by them, shall be inviolable, wherever located.

Section 7

Without being restricted by financial controls, regulations or moratoria of any kind:

(a) The specialized agencies may hold funds, gold or currency of any kind and operate accounts in any currency;

(b) The specialized agencies may freely transfer their funds, gold or currency from one country to another or within any country and convert any currency held by them into any other currency.

Section 8

Each specialized agency shall, in exercising its rights under section 7 above, pay due regard to any representations made by the Government of any State party to this Convention in so far as it is considered that effect can be given to such representations without detriment to the interests of the agency.

Section 9

The specialized agencies, their assets, income and other property shall be:

(a) Exempt from all direct taxes; it is understood, however, that the specialized agencies will not claim exemption from taxes which are, in fact, no more than charges for public utility services;

(b) Exempt from customs duties and prohibitions and restrictions on imports and exports in respect of articles imported or exported by the specialized agencies for their
official use; it is understood, however, that articles imported under such exemption will not be sold in the country into which they were imported except under conditions agreed to with the Government of that country;

(c) Exempt from duties and prohibitions and restrictions on imports and exports in respect of their publications.

Section 10

While the specialized agencies will not, as a general rule, claim exemption from excise duties and from taxes on the sale of movable and immovable property which forms part of the price to be paid, nevertheless when the specialized agencies are making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, States parties to this Convention will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax.

Article IV

Facilities in respect of communications

Section 11

Each specialized agency shall enjoy, in the territory of each State party to this Convention in respect of that agency, for its official communications, treatment not less favourable than that accorded by the Government of such State to any other Government, including the latter's diplomatic mission, in the matter of priorities, rates and taxes on mails, cables, telegrams, radiograms, telephotos, telephone and other communications, and press rates for information to the press and radio.

Section 12

No censorship shall be applied to the official correspondence and other official communications of the specialized agencies.
The specialized agencies shall have the right to use codes and to dispatch and receive correspondence by courier or in sealed bags, which shall have the same immunities and privileges as diplomatic couriers and bags.

Nothing in this section shall be construed to preclude the adoption of appropriate security precautions to be determined by agreement between a State party to this Convention and a specialized agency.

Article V

Representatives of Members

Section 13

Representatives of members at meetings convened by a specialized agency shall, while exercising their functions and during their journeys to and from the place of meeting, enjoy the following privileges and immunities:

(a) Immunity from personal arrest or detention and from seizure of their personal baggage, and in respect of words spoken or written and all acts done by them in their official capacity, immunity from legal process of every kind;

(b) Inviolability for all papers and documents;

(c) The right to use codes and to receive papers or correspondence by courier or in sealed bags;

(d) Exemption in respect of themselves and their spouses from immigration restrictions, aliens' registration or national service obligations in the State which they are visiting or through which they are passing in the exercise of their functions;

(e) The same facilities in respect of currency or exchange restrictions as are accorded to representatives of foreign Governments on temporary official missions;
(f) The same immunities and facilities in respect of their personal baggage as are accorded to members of comparable rank of diplomatic missions.

Section 14

In order to secure for the representatives of members of the specialized agencies at meetings convened by them complete freedom of speech and complete independence in the discharge of their duties, the immunity from legal process in respect of words spoken or written and all acts done by them in discharging their duties shall continue to be accorded, notwithstanding that the persons concerned are no longer engaged in the discharge of such duties.

Section 15

Where the incidence of any form of taxation depends upon residence, periods during which the representatives of members of the specialized agencies at meetings convened by them are present in a member State for the discharge of their duties shall not be considered as periods of residence.

Section 16

Privileges and immunities are accorded to the representatives of members, not for the personal benefit of the individuals themselves, but in order to safeguard the independent exercise of their functions in connexion with the specialized agencies. Consequently, a member not only has the right but is under a duty to waive the immunity of its representatives in any case where, in the opinion of the member, the immunity would impede the course of justice, and where it can be waived without prejudice to the purpose for which the immunity is accorded.

Section 17

The provisions of sections 13, 14 and 15 are not applicable in relation to the authorities of a State of which the person is a national or of which he is or has been a representative.
Article VI

Officials

Section 18

Each specialized agency will specify the categories of officials to which the provisions of this article and of article VIII shall apply. It shall communicate them to the Governments of all States parties to this Convention in respect of that agency and to the Secretary-General of the United Nations. The names of the officials included in these categories shall from time to time be made known to the above-mentioned Governments.

Section 19

Officials of the specialized agencies shall:

(a) Be immune from legal process in respect of words spoken or written and all acts performed by them in their official capacity;

(b) Enjoy the same exemptions from taxation in respect of the salaries and emoluments paid to them by the specialized agencies and on the same conditions as are enjoyed by officials of the United Nations;

(c) Be immune, together with their spouses and relatives dependent on them, from immigration restrictions and alien registration;

(d) Be accorded the same privileges in respect of exchange facilities as are accorded to officials of comparable rank of diplomatic missions;

(e) Be given, together with their spouses and relatives dependent on them, the same repatriation facilities in time of international crises as officials of comparable rank of diplomatic missions;

(f) Have the right to import free of duty their furniture and effects at the time of first taking up their post in the country in question.
Section 20

The officials of the specialized agencies shall be exempt from national service obligations, provided that in relation to the States of which they are nationals, such exemption shall be confined to officials of the specialized agencies whose names have, by reason of their duties, been placed upon a list compiled by the executive head of the specialized agency and approved by the State concerned.

Should other officials of specialized agencies be called up for national service, the State concerned shall, at the request of the specialized agency concerned, grant such temporary deferments in the call-up of such officials as may be necessary to avoid interruption in the continuation of essential work.

Section 21

In addition to the immunities and privileges specified in sections 19 and 20, the executive head of each specialized agency, including any official acting on his behalf during his absence from duty, shall be accorded in respect of himself, his spouse and minor children, the privileges and immunities, exemptions and facilities accorded to diplomatic envoys, in accordance with international law.

Section 22

Privileges and immunities are granted to officials in the interests of the specialized agencies only and not for personal benefit of the individuals themselves. Each specialized agency shall have the right and the duty to waive the immunity of any official in any case where, in its opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the specialized agency.

Section 23

Each specialized agency shall co-operate at all times with the appropriate authorities of member States to facilitate the proper administration of justice, secure the observance of police regula-
tions and prevent the occurrence of any abuses in connexion with the privileges, immunities and facilities mentioned in this article.

*Article VII*

**ABUSES OF PRIVILEGE**

*Section 24*

If any State party to this Convention considers that there has been an abuse of a privilege or immunity conferred by this Convention, consultations shall be held between that State and the specialized agency concerned to determine whether any such abuse has occurred and, if so, to attempt to ensure that no repetition occurs. If such consultations fail to achieve a result satisfactory to the State and the specialized agency concerned, the question whether an abuse of a privilege or immunity has occurred shall be submitted to the International Court of Justice in accordance with section 32. If the International Court of Justice finds that such an abuse has occurred, the State party to this Convention affected by such abuse shall have the right, after notification to the specialized agency in question, to withhold from the specialized agency concerned the benefits of the privilege or immunity so abused.

*Section 25*

1. Representatives of members at meetings convened by specialized agencies, while exercising their functions and during their journeys to and from the place of meeting, and officials within the meaning of section 18, shall not be required by the territorial authorities to leave the country in which they are performing their functions on account of any activities by them in their official capacity. In the case, however, of abuse of privileges of residence committed by any such person in activities in that country outside his official functions, he may be required to leave by the Government of that country provided that:

2. (I) Representatives of members, or persons who are
entitled to diplomatic immunity under section 21, shall not be required to leave the country otherwise than in accordance with the diplomatic procedure applicable to diplomatic envoys accredited to that country.

(II) In the case of an official to whom section 21 is not applicable, no order to leave the country shall be issued other than with the approval of the Foreign Minister of the country in question, and such approval shall be given only after consultation with the executive head of the specialized agency concerned; and, if expulsion proceedings are taken against an official, the executive head of the specialized agency shall have the right to appear in such proceedings on behalf of the person against whom they are instituted.

Article VIII

Laissez-Passer

Section 26

Officials of the specialized agencies shall be entitled to use the United Nations laissez-passer in conformity with administrative arrangements to be concluded between the Secretary-General of the United Nations and the competent authorities of the specialized agencies, to which agencies special powers to issue laissez-passer may be delegated. The Secretary-General of the United Nations shall notify each State party to this Convention of each administrative arrangement so concluded.

Section 27

States parties to this Convention shall recognize and accept the United Nations laissez-passer issued to officials of the specialized agencies as valid travel documents.

Section 28

Applications for visas, where required, from officials of specialized agencies holding United Nations laissez-passer when
accompanies by a certificate that they are travelling on the business of a specialized agency, shall be dealt with as speedily as possible. In addition, such persons shall be granted facilities for speedy travel.

Section 29

Similar facilities to those specified in section 28 shall be accorded to experts and other persons who, though not the holders of United Nations laissez-passer, have a certificate that they are travelling on the business of a specialized agency.

Section 30

The executive heads, assistant executive heads, heads of departments and other officials of a rank not lower than head of department of the specialized agencies, travelling on United Nations laissez-passer on the business of the specialized agencies, shall be granted the same facilities for travel as are accorded to officials of comparable rank in diplomatic missions.

Article IX

SETTLEMENT OF DISPUTES

Section 31

Each specialized agency shall make provision for appropriate modes of settlement of:

(a) Disputes arising out of contracts or other disputes of private character to which the specialized agency is a party;

(b) Disputes involving any official of a specialized agency who by reason of his official position enjoys immunity, if immunity has not been waived in accordance with the provisions of section 22.

Section 32

All differences arising out of the interpretation or application of the present Convention shall be referred to the International
Court of Justice unless in any case it is agreed by the parties to have recourse to another mode of settlement. If a difference arises between one of the specialized agencies on the one hand, and a member on the other hand, a request shall be made for an advisory opinion on any legal question involved in accordance with Article 96 of the Charter and Article 65 of the Statute of the Court and the relevant provisions of the agreements concluded between the United Nations and the specialized agency concerned. The opinion given by the Court shall be accepted as decisive by the parties.

Article X

ANNEXES AND APPLICATION TO INDIVIDUAL SPECIALIZED AGENCIES

Section 33

In their application to each specialized agency, the standard clauses shall operate subject to any modifications set forth in the final (or revised) text of the annex relating to that agency, as provided in sections 36 and 38.

Section 34

The provisions of the Convention in relation to any specialized agency must be interpreted in the light of the functions with which that agency is entrusted by its constitutional instrument.

Section 35

Draft annexes 1 to IX are recommended to the specialized agencies named therein. In the case of any specialized agency not mentioned by name in section 1, the Secretary-General of the United Nations shall transmit to the agency a draft annex recommended by the Economic and Social Council.

Section 36

The final text of each annex shall be that approved by the specialized agency in question in accordance with its constitutional procedure. A copy of the annex as approved by each
specialized agency shall be transmitted by the agency in question to the Secretary-General of the United Nations and shall thereupon replace the draft referred to in section 35.

Section 37

The present Convention becomes applicable to each specialized agency when it has transmitted to the Secretary-General of the United Nations the final text of the relevant annex and has informed him that it accepts the standard clauses, as modified by this annex, and undertakes to give effect to sections 8, 18, 22, 23, 24, 31, 32, 42 and 45 (subject to any modification of section 32 which may be found necessary in order to make the final text of the annex consonant with the constitutional instrument of the agency) and any provisions of the annex placing obligations on the agency. The Secretary-General shall communicate to all Members of the United Nations and to other States members of the specialized agencies certified copies of all annexes transmitted to him under this section and of revised annexes transmitted under section 38.

Section 38

If, after the transmission of a final annex under section 36, any specialized agency approves any amendments thereto in accordance with its constitutional procedure, a revised annex shall be transmitted by it to the Secretary-General of the United Nations.

Section 39

The provisions of this Convention shall in no way limit or prejudice the privileges and immunities which have been, or may hereafter be, accorded by any State to any specialized agency by reason of the location in the territory of that State of its headquarters or regional offices. This Convention shall not be deemed to prevent the conclusion between any State party thereto and any specialized agency of supplemental agreements adjusting the provisions of this Convention or extending or curtailing the privileges and immunities thereby granted.
Section 40

It is understood that the standard clauses, as modified by the final text of an annex sent by a specialized agency to the Secretary-General of the United Nations under section 36 (or any revised annex sent under section 38), will be consistent with the provisions of the constitutional instrument then in force of the agency in question, and that if any amendment to that instrument is necessary for the purpose of making the constitutional instrument so consistent, such amendment will have been brought into force in accordance with the constitutional procedure of that agency before the final (or revised) annex is transmitted.

The Convention shall not itself operate so as to abrogate, or derogate from, any provisions of the constitutional instrument of any specialized agency or any rights or obligations which the agency may otherwise have, acquire, or assume.

Article XI

Final provisions

Section 41

Accession to this Convention by a Member of the United Nations and (subject to section 42) by any State member of a specialized agency shall be effected by deposit with the Secretary-General of the United Nations of an instrument of accession which shall take effect on the date of its deposit.

Section 42

Each specialized agency concerned shall communicate the text of this Convention together with the relevant annexes to those of its members which are not Members of the United Nations and shall invite them to accede thereto in respect of that agency by depositing an instrument of accession to this Convention in respect thereof either with the Secretary-General of the United Nations or with the executive head of the specialized agency.
Section 43

Each State party to this Convention shall indicate in its instrument of accession the specialized agency or agencies in respect of which it undertakes to apply the provisions of this Convention. Each State party to this Convention may by subsequent written notification to the Secretary-General of the United Nations undertake to apply the provisions of this Convention to one or more further specialized agencies. This notification shall take effect on the date of its receipt by the Secretary-General.

Section 44

This Convention shall enter into force for each State party to this Convention in respect of a specialized agency when it has become applicable to that agency in accordance with section 37 and the State party has undertaken to apply the provisions of the Convention to that agency in accordance with section 43.

Section 45

The Secretary-General of the United Nations shall inform all Members of the United Nations, as well as all members of the specialized agencies, and executive heads of the specialized agencies, of the deposit of each instrument of accession received under section 41 and of subsequent notifications received under section 43. The executive head of a specialized agency shall inform the Secretary-General of the United Nations and the members of the agency concerned of the deposit of any instrument of accession deposited with him under section 42.

Section 46

It is understood that, when an instrument of accession or a subsequent notification is deposited on behalf of any State, this State will be in a position under its own law to give effect to the terms of this Convention, as modified by the final texts of any annexes relating to the agencies covered by such accessions or notifications.
Section 47

1. Subject to the provisions of paragraphs 2 and 3 of this section, each State party to this Convention undertakes to apply this Convention in respect of each specialized agency covered by its accession or subsequent notification, until such time as a revised convention or annex shall have become applicable to that agency and the said State shall have accepted the revised convention or annex. In the case of a revised annex, the acceptance of States shall be by a notification addressed to the Secretary-General of the United Nations, which shall take effect on the date of its receipt by the Secretary-General.

2. Each State party to this Convention, however, which is not, or has ceased to be, a member of a specialized agency, may address a written notification to the Secretary-General of the United Nations and the executive head of the agency concerned to the effect that it intends to withhold from that agency the benefits of this Convention as from a specified date, which shall not be earlier than three months from the date of receipt of the notification.

3. Each State party to this Convention may withhold the benefit of this Convention from any specialized agency which ceases to be in relationship with the United Nations.

4. The Secretary-General of the United Nations shall inform all member States parties to this Convention of any notification transmitted to him under the provisions of this section.

Section 48

At the request of one-third of the States parties to this Convention, the Secretary-General of the United Nations will convene a conference with a view to its revision.

Section 49

The Secretary-General of the United Nations shall transmit copies of this Convention to each specialized agency and to the Government of each Member of the United Nations.
ANNEX V

International Monetary Fund

In its application to the International Monetary Fund (hereinafter called "the Fund"), the Convention (including this annex) shall operate subject to the following provisions:

1. Section 32 of the standard clauses shall only apply to differences arising out of the interpretation or application of privileges and immunities which are derived by the Fund solely from this Convention and are not included in those which it can claim under its Articles of Agreement or otherwise.

2. The provisions of the Convention (including this annex) do not modify or amend or require the modification or amendment of the Articles of Agreement of the Fund or impair or limit any of the rights, immunities, privileges or exemptions conferred upon the Fund or any of its members, Governors, Executive Directors, alternates, officers or employees by the Articles of Agreement of the Fund, or by any statute, law or regulation of any member of the Fund or any political subdivision of any such member, or otherwise.
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