Par Values and Margins

FOREIGN EXCHANGE DEALINGS BASED ON PARITY: ARTICLE IV, SECTION 3

Dealings in paper money and coins are deemed to be "other exchange transactions" within the meaning of Article IV, Section 3, whether or not the importation and exportation of such money and coins to and from the country of origin are subject to restrictions. The dealings are in consequence subject to the provisions of that Section. Members shall not permit transactions in such paper money and coins within their territories in a manner or to an extent which will negate the par values agreed with the Fund. Where transactions in fact have such an effect the Fund will be obliged to intervene.

Decision No. 269-2

February 11, 1948

EXCHANGE DEALINGS AND MARGINS UNDER CONDITIONS OF INCREASING CONVERTIBILITY

The Fund does not object to exchange rates which are within 2 per cent of parity for spot exchange transactions between a member's currency and the currencies of other members taking place within the member's territories, whenever such rates result from the maintenance of margins of no more than 1 per cent from parity for a convertible, including externally convertible, currency.

Decision No. 904-(59/32)

July 24, 1959

CENTRAL RATES AND WIDER MARGINS: A TEMPORARY REGIME *

Preamble

This decision is adopted by the Executive Directors in order to indicate practices that members may wish to follow in present circumstances consistently with Article IV, Section 4(*a*) and Board of Governors Resolution No. 26-9, which called on all members to collaborate with the Fund and with each other in order to maintain a satisfactory structure of exchange rates within appropriate margins. The decision is intended to enable members to observe the purposes of the Fund to the maximum extent possible during the temporary period preceding the resumption of effective par values with appropriate margins in accordance with the Articles.

Paragraph 1. Par Values and Wider Margins

(a) A member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Resolution No. 26-9 if it takes appropriate measures, consistent with the Articles, to permit spot exchange transactions between its currency and the currencies of other members taking place within its territories only at rates within 2¼ per cent from the effective parity relationship among currencies as determined by the Fund, provided that these margins may be within 4½ per cent from the said relationship if they result from the maintenance by the member of rates within margins of 2¼ per cent from the said relationship for spot exchange transactions between its currency and its intervention currency.

(b) A member that avails itself of wider margins under (a) above shall notify the Fund. Paragraphs 5 and 6 of this decision shall then apply to the member.

* This decision was amended by Decision No. 4083-(73/104), November 7, 1973, which appears on pages 18–21.

(c) A member's intervention currency means a currency which the member represents to the Fund that it stands ready to buy and sell in order to perform its obligations regarding exchange stability.

Paragraph 2. Central Rates

(a) A member which temporarily does not maintain rates based on a par value for its currency in accordance with Article IV, Section 3 and Decision No. 904-(59/32) but, by means of appropriate measures consistent with the Articles, maintains a stable rate as the basis for exchange transactions in its territories may communicate to the Fund a rate for its currency for the purposes of this decision. This rate or a rate subsequently communicated in accordance with this paragraph shall take effect as the central rate for the purposes of this decision unless the Fund finds it unsatisfactory.

(b) A central rate for a member's currency may be communicated in gold, units of special drawing rights, or another member's currency.

Paragraph 3. Central Rates with Wider Margins

A member that communicates a central rate under paragraph 2(a) and avails itself of the wider margins of paragraph 1(a) on the basis of its central rate shall notify the Fund, and if the Fund has not found the central rate unsatisfactory the member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Resolution No. 26-9 if it takes appropriate measures, consistent with the Articles, to permit spot exchange transactions between its currency and the currencies of other members taking place within its territories only at rates within 2¼ per cent from the central rate, provided that these margins may be within

4½ per cent from the central rate if they result from the maintenance by the member of rates within margins of 2¼ per cent from the central rate for spot exchange transactions between its currency and its intervention currency. In addition, paragraphs 5 and 6 shall apply.

Paragraph 4. Central Rates Without Wider Margins

If a member that communicates a central rate under paragraph 2(a) does not notify the Fund under paragraph 3 that it avails itself of the wider margins of that paragraph, the member shall take appropriate measures to ensure that the margins on either side of the central rate for exchange transactions between its currency and the currencies of other members taking place within its territories shall be no wider than the equivalent of the margins of Article IV, Section 3 and Decision No. 904-(59/32).

Paragraph 5. Multiple Currency Practices and Discriminatory Currency Arrangements

Notwithstanding paragraphs 1 and 3 above, no member shall permit, except as approved or authorized under Article VIII, Section 3 or Article XIV, Section 2,

(i) a spread between the buying and selling rates for spot exchange transactions between its currency and the currencies of other members in excess of 2 per cent,
or

(ii) (1) a difference between buying or between selling rates for spot exchange transactions between its currency and the currency of another member, or

(2) a relationship among the buying rates, or among the selling rates, for the currencies of other members,

that the Fund regards as inconsistent with promotion of exchange stability, the maintenance of orderly exchange arrangements with other members, and the avoidance of competitive exchange alterations.

Paragraph 6. Intervention

Appropriate measures for the purposes of paragraphs 1(a), 2(a), and 3 above shall include intervention by a member's authorities in the exchange markets within the member's territories in order to maintain rates for spot exchange transactions in accordance with this decision. In their intervention in exchange markets members shall refrain from actions incompatible with the purposes of the Fund.

Paragraph 7. Members Maintaining Narrow Margins Against an Intervention Currency

(a) A member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Board of Governors Resolution No. 26-9, if (a) the rate for its currency is maintained consistently with the Articles or the member's Membership Resolution, (b) the member permits transactions between its currency and its intervention currency only within margins of 1 per cent of the said rate in terms of the intervention currency, and (c) the intervention currency is the currency of a member which maintains rates within margins consistent with this decision.

(b) Subparagraph (a) shall apply to a member in respect of the separate currency of a territory under Article XX, Section 2(*g*) for which margins of 1 per cent are maintained for transactions between the separate currency and the metropolitan currency.

Decision No. 3463-(71/126)
December 18, 1971

Central Rates and Wider Margins: A Temporary Regime—Revised Decision

Preamble

This decision is adopted by the Executive Directors in order to indicate practices that members may wish to follow in present circumstances consistently with Article IV, Section 4(*a*) and Board of Governors Resolution No. 26-9, which called on all members to collaborate with the Fund and with each other in order to maintain a satisfactory structure of exchange rates within appropriate margins. The decision is intended to enable members to observe the purposes of the Fund to the maximum extent possible during the temporary period preceding the resumption of effective par values with appropriate margins in accordance with the Articles.

Paragraph 1. Par Values and Wider Margins

(a) A member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Resolution No. 26-9 if it takes appropriate measures, consistent with the Articles, to permit spot exchange transactions between its currency and an intervention currency, the issuer of which operates on the basis of a par value or a central rate, only at rates within 2¼ per cent from the parity between the two currencies. If a central rate is in effect for the intervention currency, parity for the purpose of this paragraph shall be deemed to refer to the relationship between the par value of a member's currency and such central rate.

(b) A member that avails itself of wider margins under (a) above shall notify the Fund. Paragraphs 5 and 6 of this decision shall then apply to the member.

(c) A member's intervention currency means a currency which the member represents to the Fund that it stands ready to buy and sell in order to perform its obligations regarding exchange stability.

Paragraph 2. Central Rates

(a) A member which temporarily does not maintain rates based on a par value for its currency in accordance with Article IV, Section 3 and Decision No. 904-(59/32) but, by means of appropriate measures consistent with the Articles, maintains a stable rate in terms of an intervention currency as the basis for exchange transactions in its territories may communicate to the Fund a rate for its currency for the purposes of this decision. This rate or a rate subsequently communicated in accordance with this paragraph shall take effect as the central rate for the purposes of this decision unless the Fund finds it unsatisfactory.

(b) A central rate for a member's currency may be communicated in gold, units of special drawing rights, or another member's currency.

Paragraph 3. Central Rates with Wider Margins

A member that communicates a central rate under paragraph 2(a) and avails itself of the wider margins of paragraph 1(a) on the basis of its central rate shall notify the Fund, and if the Fund has not found the central rate unsatisfactory the member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Resolution No. 26-9 if it takes appropriate measures, consistent with the Articles, to permit spot exchange transactions between its currency and an intervention currency only within margins of 2¼ per cent of the central rate in terms of the intervention currency. In addition, paragraphs 5 and 6 shall apply.

Paragraph 4. Central Rates without Wider Margins

If a member that communicates a central rate under paragraph 2(a) does not notify the Fund under paragraph 3 that it avails itself of the wider margins of that paragraph, the member shall take appropriate measures to ensure that spot exchange transactions within its territories between its currency and an intervention currency shall take place only within margins of 1 per cent of the central rate in terms of the intervention currency.

Paragraph 5. Multiple Currency Practices and Discriminatory Currency Arrangements

Notwithstanding paragraphs 1 and 3 above, no member shall permit, except as approved or authorized under Article VIII, Section 3 or Article XIV, Section 2:

a difference in excess of 2 per cent between any two buying or any two selling rates for spot exchange transactions between its currency and the currencies of other members; or

a spread in excess of 2 per cent between a buying and a selling rate for spot exchange transactions between its currency and the currency of another member.

Paragraph 6. Intervention

Appropriate measures for the purposes of paragraphs 1(a), 2(a), and 3 above shall include intervention by a member's authorities in the exchange markets within the member's territories in order to maintain rates for spot exchange transactions in accordance with this decision. In their intervention in exchange markets members shall refrain from actions incompatible with the purposes of the Fund.

Paragraph 7. Members Maintaining Narrow Margins Against an Intervention Currency

(a) A member will be deemed to be acting in accordance with Article IV, Section 4(*a*) and Board of Governors Resolution No. 26-9, if (a) the rate for its currency is maintained consistently with the Articles or the member's Membership Resolution *and* (b) the member permits transactions between its currency and *an* intervention currency only within margins of 1 per cent of the said rate in terms of the intervention currency.

(b) Subparagraph (a) shall apply to a member in respect of the separate currency of a territory under Article XX, Section 2(*g*) for which margins of 1 per cent are maintained for transactions between the separate currency and the metropolitan currency.

Paragraph 8. Review

This decision shall be reviewed from time to time as necessary.

Decision No. 4083-(73/104)
November 7, 1973

GUIDELINES FOR THE MANAGEMENT OF FLOATING EXCHANGE RATES

The Executive Directors have discussed the attached memorandum entitled "Guidelines for the Management of Floating

Exchange Rates." They recommend, pursuant to Article IV, Section 4(*a*), that, in present circumstances, members should use their best endeavors to observe the guidelines set forth and explained in the memorandum. Consultations with members with floating currencies will be based on the memorandum. These guidelines will be reviewed from time to time in order to make any adjustments that may be appropriate.

Decision No. 4232-(74/67)
June 13, 1974

Guidelines for the Management of Floating Exchange Rates

Introduction

There is widespread agreement that the behavior of governments with respect to exchange rates is a matter of international concern and a matter for consultation and surveillance in the Fund. This is no less true when rates are floating than when they are contained within fixed margins and are changed by par value and central rate adjustments.

The Fund cannot legally authorize floating but it can exercise surveillance over the manner in which members fulfill their undertaking, under 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." The following guidelines, though not exhausting the possibilities of action by the Fund under this Article, are intended to provide criteria that members would observe in performing their undertaking and that the Fund would observe in exercising surveillance in present circumstances.

These guidelines are based on the assumption that in any situation of floating it may be desirable (a) to smooth out very short-run fluctuations in market rates and (b) to offer a measure of resistance to market tendencies in the slightly longer run, particularly when they are leading to unduly rapid movements in the rate, and (c) to the extent that it is possible to form a reasonable estimate of the medium-term norm for a country's exchange rate, to resist movements in market rates that appear to be deviating substantially from that norm. Guidelines of this kind are necessary, inter alia, in order to arrive at a clear conception of what competitive exchange alteration is, and to provide safeguards against it.

The guidelines also take into account:

(a) that national policies, including those relating to domestic stabilization, should not be subjected to greater constraints than are clearly necessary in the international interest;

(b) that a degree of uncertainty necessarily attaches to any estimate of a medium-term normal exchange rate, that this uncertainty is particularly great in present circumstances, and that on occasion the market view may be more realistic than any official view whether of the country primarily concerned or of an international body; and

(c) that in view of the strength of short-term market forces it may at times be unavoidable to forego or curtail official intervention that would be desirable from the standpoint of exchange stability if such intervention should involve an excessive drain on reserves or an impact on the money supply which it is difficult to neutralize.

The guidelines are intended to provide the basis for a meaningful dialogue between the Fund and member countries with a view to promoting international consistency during a period of widespread floating. They are termed guidelines rather than rules to indicate their tentative and experimental character. They should be adaptable to changing circumstances. No attempt is here made to indicate the precise procedures through which they would be implemented. These will be considered later, but they must essentially rest on an intensification of the confidential interchange between the member and the Fund.

In the application of the guidelines it is to be expected that, in view of the emphasis laid by the Committee of Twenty at their fifth (Rome) meeting on the importance in present circumstances of avoiding competitive depreciation, particular attention would be attached to departures from the guidelines in the direction of depreciation. Special consideration will also be given to the manner in which the guidelines should be applied by developing countries, taking account of the stage of evolution of their exchange markets and intervention practices.

The guidelines should be understood in the light of the commentary which follows.

The Guidelines

(1) A member with a floating exchange rate should intervene on the foreign exchange market as necessary to prevent or moderate sharp and disruptive fluctuations from day to day and from week to week in the exchange value of its currency.

(2) Subject to (3)(b), a member with a floating rate may act, through intervention or otherwise, to moderate movements in the exchange value of its currency from month to month and quarter to quarter, and is encouraged to do so, if necessary, where factors recognized to be temporary are at work. Subject to (1) and (3)(a), the member should not normally act aggressively with respect to the exchange value of its currency (i.e., should not so act as to depress that value when it is falling, or to enhance that value when it is rising).

(3) (a) If a member with a floating rate should desire to act otherwise than in accordance with (1) and (2) above in order to bring its exchange rate within, or closer to, some target zone

of rates, it should consult with the Fund about this target and its adaptation to changing circumstances. If the Fund considers the target to be within the range of reasonable estimates of the medium-term norm for the exchange rate in question, the member would be free, subject to (5), to act aggressively to move its rate towards the target zone, though within that zone (2) would continue to apply.

(b) If the exchange rate of a member with a floating rate has moved outside what the Fund considers to be the range of reasonable estimates of the medium-term norm for that exchange rate to an extent the Fund considers likely to be harmful to the interests of members, the Fund will consult with the member, and in the light of such consultation may encourage the member, despite 2 above, (i) not to act to moderate movements toward this range, or (ii) to take action to moderate further divergence from the range. A member would not be asked to hold any particular rate against strong market pressure.

(4) A member with a floating exchange rate would be encouraged to indicate to the Fund its broad objective for the development of its reserves over a period ahead and to discuss this objective with the Fund. If the Fund, taking account of the world reserve situation, considered this objective to be reasonable and if the member's reserves were relatively low by this standard, the member would be encouraged to intervene more strongly under Guideline (2) to moderate a movement in its rate when the rate was rising than when it was falling. If the member's reserves were relatively high by this standard it would be encouraged to intervene more strongly to moderate a movement in its rate when the rate was falling than when it was rising. In considering target exchange rate zones under (3), also, the Fund would pay due regard to the desirability of avoiding an increase over the medium term of reserves that were recognized by this standard to be relatively high, and the reduction of reserves that were recognized to be relatively low.

(5) A member with a floating rate, like other members, should refrain from introducing restrictions for balance of payments purposes on current account transactions or payments and should endeavor progressively to remove such restrictions of this kind as may exist.

(6) Members with a floating rate will bear in mind, in intervention, the interests of other members including those of the issuing countries in whose currencies they intervene. Mutually satisfactory arrangements might usefully be agreed between the issuers and users of intervention currencies, with respect to the use of such currencies in intervention. Any such arrangements should be compatible with the purposes of the foregoing guidelines. The Fund will stand ready to assist members in dealing with any problems that may arise in connection with them.

Commentary

General

Certain of the terms used in the guidelines may be defined as follows:

(i) "A member with a floating exchange rate" means a member whose currency is floating independently in the sense that it is not pegged, within relatively narrow margins, to any other currency or composite of currencies. Members whose currencies are pegged to particular floating currencies, or to composites of such currencies, within these margins would be exempt from these guidelines, though not from any general principles relating to adjustment. Members which, though their currencies are pegged to another currency, change the peg frequently in the light of some formula relating, e.g., to price indices, would be expected to discuss this formula and any changes therein with the Fund. Members whose currencies are pegged to a composite of other currencies (e.g., members whose effective rates are fixed) would likewise be expected to discuss with the Fund the composite in question and any changes therein. Members whose currencies are floating jointly under mutual intervention arrangements with relatively narrow margins would be exempted from the intervention guidelines so far as intervention in each other's currencies is concerned, but would be held responsible to the Fund for their exchange market intervention vis-à-vis the rest of the world. As regards capital controls, official financing, and other measures to influence capital flows, each member belonging to such a group would be responsible for its measures judged in relation to its overall balance of payments situation.

(ii) "Exchange market intervention" would normally be measured by the movement of reserves, adjusted as appropriate for compensatory official borrowing. Consideration might also be given to including in the concept of intervention changes in official foreign exchange positions other than reserves.

(iii) "Action to influence an exchange rate" includes, besides exchange market intervention, other policies that exercise a temporary effect on the balance of payments and hence on exchange rates, and that have been adopted for that purpose. Such policies may take the form of official forward exchange market intervention, official foreign borrowing or lending, capital restrictions, separate capital exchange markets, various types of fiscal intervention, and also monetary or interest rate policies. Monetary or interest rate policies adopted for demand management purposes or other policies adopted for purposes other than balance of payments purposes would not be regarded as action to influence the exchange rate.

(iv) Where the terms "exchange rate" or "exchange value" are employed with respect to any currency it is assumed that these would normally be expressed in terms of effective rates, i.e., the value of the currency would be measured relative to a representative set of currencies rather than relative to its intervention currency alone. The set chosen for this purpose should, in principle, vary from country to country, and the currencies in the set should be weighted according to their importance to the country in question. The composition of the set might be based on trade and financial relationships or on trade relationships alone. If trade-weighted, it might be derived from the Multilateral Exchange Rate Model, or based on bilateral trade relationships. In some cases the basket used for the valuation of the SDR might be satisfactory for this purpose also. In some cases, finally, the rate vis-à-vis a single currency might provide a satisfactory approximation to an effective rate.

On Guideline (1)

Known large once-for-all or reversible transactions would be largely offset and their effects spread over time. In addition, intervention would be undertaken to moderate large day-to-day or week-to-week movements in rates due to speculative or other factors. Such intervention, if properly conducted, should tend to net out over time.

It is unlikely to be necessary for the issuer of the principal intervention currency itself to intervene from day to day in the manner described in this guideline.

On Guideline (3)

(i) The concept of a medium-term norm for an exchange rate is employed explicitly in (a) and implicitly in (b) of Guideline (3). By this is meant a rate that would tend to bring about equilibrium in the "underlying" balance of payments, i.e., in the overall balance in the absence of cyclical and other short-term factors affecting the balance of payments, including government policies which are, or, on internationally accepted principles, ought to be temporary. If the member concerned so proposes and the Fund agrees, "equilibrium" could allow for an internationally appropriate rate of increase or decrease in the member's reserves. The "medium-term" might be considered to refer to a period of about four years. Seasonal, speculative, and cyclical factors whose effects were reversible over such a period would be ignored.

(ii) An advantage of conceiving medium-term norms or target zones in terms of effective rates is that so long as the effective rate remains constant the balance of trade or current payments of the floating country would not be greatly affected by changes in the relative exchange rates of the currencies of other countries. This should reduce the frequency with which it would be necessary to change zone boundaries, or the magnitude of the changes involved. It would be open to a member if it so desired to express its target rate or zone not as one that is constant over time but as one that is rising or falling at a certain rate or at a rate dependent, for example, on an index of relative price or cost levels.

(iii) Under Guideline (3) (b) the Fund would be authorized to take the initiative in situations where it considered that a member's rate was likely to become harmful to the interests of members whether as a result of market forces or of action by the member. Recommendations to a member under this provision would be made by the Executive Directors, on a proposal by the Managing Director, but the Managing Director would not make such a proposal except after consultation with the member.

(iv) The greater the degree of uncertainty regarding the balance of payments situation and prospects of a country the wider would be the range of reasonable estimates of the medium-term norm for its exchange rate, and the wider would be the deviation beyond this range which would occur before the Fund would make any suggestions under Guideline (3) (b). The Fund's right to make suggestions under this guideline will, in any case, be exercised with restraint.

(v) In any suggestions the Fund might make under Guideline (3) (b), it would give a preference to liberalizing as opposed to restricting ways of exercising a given effect on exchange rates, but would bear in mind the distinction between capital controls applied for temporary balance of payments reasons and those applied for other economic and social reasons.

On Guideline (6)

This guideline would imply that in their use of their customary reserve currencies members with a floating rate, while recognizing the need of issuing countries for reasonable freedom of exchange rate movement, should not be precluded from intervening in a manner conformable with the guidelines. Among the problems that might arise regarding the use of intervention currencies, in the resolution of which the Fund might be of service, are those regarding the circumstances in which a member might intervene in a currency other than its customary reserve currency, the problem of interventions that move the value of the currency of intervention in an undesirable direction, and the problem of mutually offsetting interventions.

Interpretation of Articles of Agreement

[A member] has stated its intention to maintain full employment and has requested an interpretation of the Articles of Agreement as to whether steps necessary to protect a member from unemployment of a chronic or persistent character, arising from pressure on its balance of payments, shall be measures necessary to correct a fundamental disequilibrium.

The Executive Directors interpret the Articles of Agreement to mean that steps which are necessary to protect a member from unemployment of a chronic or persistent character, arising from pressure on its balance of payments, are among the measures necessary to correct a fundamental disequilibrium; and that in each instance in which a member proposes a change in the par value

of its currency to correct a fundamental disequilibrium the Fund will be required to determine, in the light of all relevant circumstances, whether in its opinion the proposed change is necessary to correct the fundamental disequilibrium.

Pursuant to Decision No. 71-2

September 26, 1946

Purchase and Sale of Gold Within the Meaning of Article IV, Section 4(*b*)

1. . . . .

. . . .

2. . . . [A member] informed the Fund that exchange restrictions in [specified nonmetropolitan territory] would be abolished and the [territory's separate] currency would be made freely convertible into U.S. dollars, the local authorities freely buying and selling U.S. dollars in exchange for the [separate currency of the territory] at the par value for the settlement of international transactions. Such arrangements are deemed to constitute, in fact, the free purchase and sale of gold for the settlement of international transactions within the meaning of Article IV, Section 4(*b*), for the territory of [the specified nonmetropolitan area] insofar as the United States freely buys and sells gold for such purposes within the meaning of that Section.

Decision No. 411-1

March 18, 1949

Changes in Par Values: Fundamental Disequilibrium

The Fund has authority under Article IV, Section 5(*c*)(ii) or (iii), to object to a change in par value proposed by a member when the extent of the proposed change, in the judgment of the

Fund, is insufficient to correct a fundamental disequilibrium. The Executive Board recognizes, however, that the extent of the change in par value, necessary to correct a fundamental disequilibrium, cannot be determined with precision and that in reaching a decision on a member's proposal to change its par value, whether during the transitional period or thereafter, the member should be given the benefit of any reasonable doubt. In addition, due consideration should be given the views of the member regarding the political and social consequences of a change in par value greater than the one proposed.

Decision No. 278-3

March 1, 1948

RATES FOR COMPUTATIONS AND ADJUSTMENT OF THE FUND'S HOLDINGS OF CURRENCIES

The following decision is adopted in order to facilitate the conduct of the operations of the Fund involving currencies for which rates are not maintained within the margins under Article IV, Section 3 of the Articles or Executive Board Decision No. 904-(59/32).

1. Computations by the Fund under the Articles of Agreement relating to a member's currency for which rates within the margins of Article IV, Section 3 or Executive Board Decision No. 904-(59/32) are not maintained will be made on the basis of the representative rate for that currency under Rule 0-3 whenever these calculations are made (i) for the purpose of a transaction with the Fund involving the purchase or sale of that member's currency by another member, and (ii) for such other purposes as the Fund may decide. Computations under this paragraph will be made on the basis of the representative rate for the currency on the day specified in paragraph 2 below.

2. For computations for the purpose of Article V, Section 7(*b*) and 8(*f*) the rate shall be that at which the Fund values its hold-

ings of the currency on the day for which the computation is made. For computations relating to other transactions, including computations involving currency substituted pursuant to Schedule B, paragraph 1(*d*) and paragraph 1 of Executive Board Decision No. 3049-(70/44), the rate shall be that of two business days before the value date of the transaction and, if this is not possible, the rate of the day closest thereto that is practicable.

3. Whenever a computation relating to a member's currency is made on the basis of a representative rate in accordance with paragraph 1 above, the Fund will adjust all of its holdings of the currency on the basis of that rate, and such adjustment will take effect as of the day specified for the computation in paragraph 2 above.

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 IV, Section 8. For the purpose of applying the provisions of the Articles as of any date, the Fund's holdings of the currency will be deemed to be its actual holdings plus the balance in any such account receivable or minus the balance in any such account payable as of that date. Settlements of accounts receivable or payable shall be made promptly after each April 30 and at other times when requested by the Fund or the member.

5. The suspension of Rule 0-3(i) pursuant to Paragraph II of Executive Board Decision No. 3537-(72/3) G/S is terminated. Executive Board Decision No. 3537-(72/3) G/S and Executive Board Decision No. 321-(54/32), as amended, are terminated.

6. This decision shall be reviewed as necessary.

Decision No. 3637-(72/41) G/S

May 8, 1972

Beginning July 1, 1974 the Fund will adjust its holdings of currencies in the General Account in accordance with Executive Board Decision No. 3637-(72/41) G/S and the proposals set forth in paragraphs (i) and (iii) [below] insofar as these relate to the application of the interim valuation of the SDR for determining the value of the Fund's holdings of currencies. Adjustments of the Fund's holdings of U.S. dollars will be made on the basis of the rate determined in accordance with Paragraph (b) of Rule O-3.

Decision No. 4257-(74/76)

June 28, 1974

The following are the proposals referred to in the Decision above:

(i) The Fund's holdings of each member's currency, as recorded on the Fund's books, would be revalued periodically on the basis of representative market exchange rates. It is proposed to do this at the end of each fiscal quarter, as well as whenever the currency is used by another member in a transaction with the Fund.

(iii) Administrative receipts and expenditures of the Fund, the bulk of which are made in U.S. dollars, would continue to be recorded in national currencies and summarized at the end of each month in terms of SDRs. However, for the U.S. dollar, the SDR equivalent would be determined on the basis of its daily SDR values. (For consistency all operational movements of U.S. dollars with the Fund also would be valued on the basis of the respective daily SDR values for the dollar.)