

ARTICLE III, SECTION 3

Subscriptions

NET OFFICIAL HOLDINGS: PRINCIPLES OF INTERPRETATION

In order to ensure the uniform application of the relevant Articles of Agreement as they apply to determinations of members' net official holdings of gold and U.S. dollars for the purposes of Article III, Section 3(b) (ii), the Fund adopts or reaffirms the following principles of interpretation for the indicated provisions of the Fund Agreement:

- (a) *Article III, Section 3(b)*: "Each member shall pay in gold, as a minimum, the smaller of
 - (i) twenty-five per cent of its quota; or
 - (ii) ten per cent of its net official holdings of gold and United States dollars as at the date when the Fund notifies members under Article XX, Section 4(a), that it will shortly be in a position to begin exchange transactions.

Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and United States dollars."

- (1) The concept of "holdings" of gold or United States dollars involves the ownership of gold or United States dollars.
- (2) A claim to gold or dollars, unsupported by title to them, is not a "holdings."
- (3) "United States dollars" means "without limitation coins, paper money, bank balances, bank acceptances, and government obligations issued with a

maturity not exceeding twelve months." This definition appears in Article XIX(d) and has been adopted by analogy in the calculation of net official holdings. The government obligations referred to must have been issued with an original maturity not exceeding twelve months, and it does not suffice that a government obligation will simply mature within twelve months from September 12, 1946.

- (4) Dollars drawn by a member under a loan and in its ownership, for example, because deposited in a bank account which it owns, are part of its "holdings." Dollars which a member has not drawn under a loan agreement or commitment and which it does not yet own, although it may later get ownership of them, are not a "holding."
- (5) The usability of gold or dollars for the payment of the gold subscription is not necessary in order to constitute "holdings." A member does not pay 10 per cent of each item of gold or dollars, but the equivalent of 10 per cent of its total "holdings" of gold and dollars. Thus, segregated dollar balances are "holdings." So, too, are gold or dollars blocked under wartime freezing arrangements if a member has title to them. This means, in the case of gold, that the member has title to specific gold (e.g., earmarked gold) or to a fixed share of specific gold (e.g., one-quarter of earmarked gold). There is no "holding" if a member has merely a claim to unidentified gold (e.g., such looted gold as may be discovered and restored to it) or to an uncertain share of specific or unidentified gold (e.g., a share of such looted gold as may be or has been recovered, to be determined in proportion to all claims).

- (6) Under a pledge of gold or dollars, title remains in the pledgor, for which reason pledged gold or dollars are the "holdings" of the pledgor.
 - (7) Since local law cannot override international obligations, gold or dollars are "holdings" even though inalienable under local law or allocated to some special purpose.
 - (8) Gold must be valued in accordance with Article IV, Section 1.
 - (9) If a member had no "holdings" of gold or dollars on September 12, 1946, its total subscription will be payable in its own currency.
- (b) *Article III, Section 3(d)*: "If the net official holdings of gold and United States dollars of any member as at the date referred to in (b) (ii) above are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative date for determining such holdings. If such date is later than that on which the country becomes eligible under Article XX, Section 4(c) or (d), to buy currencies from the Fund, the Fund and the member shall agree on a provisional gold payment to be made under (b) above, and the balance of the member's subscription shall be paid in the member's currency, subject to appropriate adjustment between the member and the Fund when the net official holdings have been ascertained."
- (1) Where a member was occupied by the enemy and its net official holdings of gold and United States dollars as of September 12, 1946, are not ascertainable, the Fund may postpone the date as of which the calculation shall be made. This means that some later date may be substituted for September 12, 1946, as the effective date for the purposes of Article III, Section 3(b) (ii).

- (2) The postponement must relate to the determination of the whole of a member's net official holdings of gold and U.S. dollars. That is to say, there cannot be a postponement of only those items whose status on September 12, 1946, cannot be ascertained.

(c) *

(d) *

(e) *

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