

INTERNATIONAL MONETARY FUND

Minutes of the Executive Board Meeting 22/63

July 1, 2022

1. **Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform**
2. **Ireland - 2022 Article IV Consultation**
3. **Board Farewell - Mr. Takuji Tanaka, Executive Director, Japan**

4. Proposal to Hold Particular Meetings of the Executive Board in a Fully Virtual or Hybrid Format Under Rule C-4 of the Fund's Rules and Regulations
5. Submission to the Board of Governors of the Report of the Standing Joint Committee on the Remuneration of Executive Directors and their Alternates

DECISIONS ADOPTED AT EBM/22/63 (7/1/2022)

Any decisions adopted in formal meetings of the Executive Board are recorded below.

1. Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform

The Fund has reviewed its policy on multiple currency practices. The Fund shall be guided by the following decision in assessing members' compliance with their obligations under Article VIII, Section 3 with respect to multiple currency practices:

1. **Multiple currency practices.**

I. Article VIII, Section 3 of the Articles of Agreement prohibits a member from engaging, or permitting any of its fiscal agencies referred to in Article V, Section 1 to engage, in multiple currency practices without the approval of the Fund. As a general principle, Official Action should not cause exchange rate spreads to differ unreasonably from those that arise from the normal commercial costs and risks of exchange transactions. Therefore, a multiple currency practice would arise in the circumstances set forth in this paragraph 1.

a. Official Action causes an Effective Exchange Rate for a Spot Exchange Transaction to exceed the Spot Permissible Spread.

b. Official Action causes an Effective Exchange Rate for a Non-spot Exchange Transaction to exceed the Non-spot Permissible Spread.

II. Notwithstanding the above, a multiple currency practice would not arise if the Effective Exchange Rate for an Exchange Transaction caused by Official Action is calculated as follows:

- (i) the Effective Exchange Rate is derived solely from the weighted average of transaction exchange rates in a member's wholesale foreign exchange market or, in the absence of a wholesale foreign exchange market, as the weighted average of the transaction exchange rates between intermediaries and their clients, or a combination of the two if the wholesale foreign exchange market is not representative of the member's foreign exchange market, and
- (ii) the only transactions included in the calculation of the Effective Exchange Rate occurred on the business day immediately preceding the day on which such Effective Exchange Rate is to be used.
- (iii) An exchange rate spread that arises without official action would not give rise to a multiple currency practice.

2. **Definitions.**

a. **Official Action:** An action by a member or any of its fiscal agencies referred to in Article V, Section 1 of the Articles of Agreement qualifies as an Official Action when it: (i) directly or indirectly segments the foreign exchange market on the member's territory by giving rise to an Effective Exchange Rate that is only available to a specific intermediary and/or end-user or a limited group of intermediaries or end-users, and/or for only a limited range of purposes, and/or (ii) increases or decreases the cost of an Exchange Transaction.

In that regard, foreign exchange auctions organized according to the criteria specified in paragraph 15 of SM/22/129, as well as foreign exchange transactions conducted by the authorities according to the criteria specified in paragraph 22 of SM/22/129 would not be considered to segment the foreign exchange market and therefore would not constitute Official Action for the purposes of this decision.

b. **Effective Exchange Rate:** The nominal exchange rate (or when the nominal exchange rate is not determined by Official Action, the mid-point of the High/Low range), plus the aggregate of any Exchange Tax or subsidy that has been imposed by Official Action on the Exchange Transaction and which are sufficiently closely related to the Exchange Transaction.

c. **Exchange Transaction:** A transaction involving the exchange of the currency of one member for another member's currency.

d. **Exchange Tax:** Any tax, levy, fee, commission, surcharge or other mandatory

costs imposed by Official Action on an Exchange Transaction.

e. Spot Exchange Transaction: An Exchange Transaction that settles no more than two business days after the transaction date.

f. Non-spot Exchange Transaction: An Exchange Transaction that settles more than two business days after the transaction date.

g. Spot Permissible Spread: (i) the spread between the highest (most depreciated) wholesale exchange rate and the lowest (most appreciated) wholesale exchange rate observed on a given business day (the “High/Low range”) in the member’s wholesale foreign exchange market or (ii) a tolerance band of +/- 2 percent around the midpoint of the High/Low range, whichever is wider, as further defined in paragraphs 24 and 25 of SM/22/129 and as further described in paragraphs 22-32 of SM/18/208, Supplement 3.

h. Non-spot Permissible Spread: (i) The spread between the highest (most depreciated) and the lowest (most appreciated) wholesale exchange rate of a given Non-spot Transaction with the same maturity as the equivalent Non-spot Exchange Transaction affected by Official Action observed on a given business day (the “High/Low range”) in the member’s wholesale foreign exchange market, or (ii) a tolerance band of +/- 2 percent around the mid-point of the High/Low range, whichever is wider, as further defined in paragraphs 27 and 28 of SM/22/129 and as further described in paragraphs 33-42 SM/18/208, Supplement 3. If market data are unavailable, the non-spot market exchange rate will be computed using a theoretical model of the non-spot transaction.

i. Observation Period: The consecutive 12-month period following staff’s last observance of a spread exceeding the Spot Permissible Spread or Non-spot Permissible Spread.

3. **Approval of multiple currency practice.** The Fund will be prepared to grant temporary approval of a multiple currency practice under the circumstances discussed in this paragraph 3.

a. With regard to multiple currency practices introduced or maintained for balance of payments reasons, while the Fund encourages members to eliminate these practices as soon as conditions permit, it would be prepared to grant approval if the member represents and the Fund is satisfied that:

(i) the measures giving rise to these practices are temporary,

(ii) the measures are being applied while the member is endeavoring to eliminate its balance of payments problems, and

(iii) the measures do not give the member an unfair competitive advantage

over other members or discriminate among members.

b. With regard to multiple currency practices introduced or maintained primarily for non-balance of payments reasons, while the Fund urges members to adopt alternative policies not connected to the exchange system, the Fund will be prepared to grant approval of those practices, if the member represents and the Fund is satisfied that the measures giving rise to these practices:

(i) do not materially impede the member's balance of payments adjustment,

(ii) do not harm the interests of other members,

(iii) do not discriminate among members, and

(iv) do not give rise to an exchange restriction under Article VIII, section 2(a).

In addition, the member must commit to a credible strategy for the removal of these practices.

c. To assist the Executive Board in assessing an MCP and reaching a decision concerning approval or non-approval of an MCP subject to approval under Article VIII, Section 3, the reasons underlying the practice and its effects will be analyzed in the relevant staff reports.

d. Temporary approval of an MCP will normally be granted for periods of approximately one year, to provide for a regular review by the Executive Board, except where the practice is maintained only for existing arrangements as contemplated in SM/98/102 and for a specified period of time.

4. **Taxes and Exchange Restrictions.** An Exchange Tax by itself or in aggregate with other Exchange Taxes that does not give rise to a multiple currency practice under this decision, would not be considered an exchange restriction under Article VIII, Section 2(a).

5. **Elimination of MCPs.** Once the Executive Board finds that an MCP has arisen, it would be considered eliminated in any of the following circumstances:

a. The member removes the Official Action that gave rise to the MCP; or

b. The member has taken credible measures to eliminate the impermissible exchange rate spread and to ensure that the Official Action will not, in the future, give rise to an Effective Exchange Rate that exceeds the Spot Permissible Spread or Non-Spot Permissible Spread for that member (as applicable); or

c. The impermissible spread does not reemerge during the Observation Period.

6. **MCPs Applying Solely to Capital Transactions.** The following principles will apply:
- a. Members should continue to provide the Fund with specific and full information on measures that may give rise to multiple currency practices applicable solely to capital transactions. Multiple currency practices applicable solely to capital transactions, while not subject to Fund approval under Article VIII, Section 3, shall be identified as such in Article IV consultation or other staff reports, along with a full assessment of such practices, including their economic consequences.
 - b. In accordance with Decision No. 8648-(87/104), July 17, 1987, the phrase “multiple currency practices” in decisions of the Fund relating to the use of the Fund’s resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.
7. **Provision of information.** Beyond the provision of data required under Article VIII, Section 5 and Decision No. 13183-(04/10), as amended, the Fund expects that members will continue to provide to the Fund all information necessary for assessments of multiple currency practices.
8. **Reviews.** The Fund will review this policy every five years, or on an as needed basis.
9. **Repeal of Executive Board Decisions.** This Decision repeals in its entirety (i) Decision No. 6790-(81/43), dated March 20, 1981, as amended by Decision No. 11728-(98/56), adopted on May 21, 1998, and (ii) Decision No. 649-(57/33), adopted June 26, 1957.
10. **Effective Date.** This decision shall enter into effect nine months following the date of its approval (the “Effective Date”). Effective immediately, no MCP will arise from the following: official exchange rates calculated with a one-day lag, foreign exchange auctions that do not segment the FX market, exchange rate spreads arising in illegal parallel markets, and broken cross rates. All existing MCPs arising from the types of official action specified in this paragraph 10 are considered eliminated as of the date of the approval of this decision. All other MCPs maintained by members under the previous MCP policy that are in effect as of the Effective Date will be considered eliminated on the Effective Date. (SM/22/129, Sup. 1, 06/27/22)

Decision No. 17292-(22/63), adopted
July 1, 2022

DECISIONS ADOPTED SINCE PREVIOUS BOARD MEETING

Any decisions adopted by the Executive Board without meeting in the period between

EBM/22/62 (6/30/2022) and EBM/22/63 (7/1/2022) are recorded below.

4. Proposal to Hold Particular Meetings of the Executive Board in a Fully Virtual or Hybrid Format Under Rule C-4 of the Fund's Rules and Regulations

In accordance with Rule C-4 of the Fund's Rules and Regulations, the Executive Board decides to approve the option to hold particular Board meetings elsewhere, by convening those meetings through means of telecommunications only, or both in-person and by means of telecommunications, on the dates specified in paragraph 6 of EBAP/22/46. (EBAP/22/46, 06/28/22)

Decision No. A/14422-(22/63), adopted
June 30, 2022

5. Submission to the Board of Governors of the Report of the Standing Joint Committee on the Remuneration of Executive Directors and their Alternates

1. Section 14(e)(ii) of the By-Laws states that reports of the standing Joint Committee on the Remuneration of Executive Directors and their Alternates shall be submitted to the Board of Governors for a vote on any recommendations contained therein without meeting in accordance with Section 13 of the By-Laws.

2. The Board of Governors is therefore requested to vote upon the recommendations of this Committee without meeting, pursuant to Section 13 of the By-Laws of the Fund.

3. The Secretary is authorized and directed to send on Friday, July 1, 2022, to each member of the Fund by rapid means of communication the Report of the standing Joint Committee to the Board of Governors together with a letter of transmittal that includes the following points:

(a) The standing Joint Committee on the Remuneration of Executive Directors and their Alternates has adopted a Report and recommendation to be submitted to the Board of Governors. The Joint Committee neither discussed with nor disclosed to Executive Directors its Report and recommendation prior to their transmittal to the Governors. At the request of the Joint Committee, the Secretary is transmitting its Report and recommendation.

(b) The Board of Governors is requested to vote without meeting, pursuant to Section 13 of the By-Laws of the Fund, on the Resolution attached to the Report.

(c) To be valid, votes on the Resolution must be cast by Governors or Alternate Governors and must be received at the seat of the Fund on or after Friday, July 1

2022 but not later than 6:00 p.m. Washington, D.C. time on Wednesday, August 24, 2022. Votes received after 6:00 p.m. on Wednesday August 24, 2022, will not be counted.

4. No particular form of vote is required, so long as the Fund receives a clear indication whether the Governor approved or disapproved the proposed resolution, the response having been signed by the Governor or Alternate Governor, or there being a clear indication that the Governor or Alternate Governor has given instructions that his or her vote be transmitted by the sender.
5. All votes cast pursuant to this decision on the proposed Resolution shall be held in the custody of the Secretary until counted. As soon as practicable after the poll is concluded, the Secretary shall canvass the votes on the proposed Resolution and report thereon to the Executive Board. Any Executive Director may challenge the Secretary's report on the voting results, or the status of any vote counted or disqualified, in which case the Executive Board shall determine the result of the vote.
6. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.
7. The Secretary is authorized to take such further action as he shall deem necessary or appropriate in order to carry out the purposes of this decision. (EBAP/22/45, 06/28/22)

Decision No. A/14423-(22/63), adopted
June 30, 2022