

Committee Meetings with Foreigners - June 20-29

~~Missing~~ Doc. F. 6 - Report of the
Committee on the Management of the Fund
(June 28, 1944)

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Report of the Committee on the Management
of the Fund

1. The Committee appointed to consider questions relating to the management of the Fund has held three meetings which have been attended by members of the Delegations of China, Mexico, The Netherlands, the U.K., the U.S., and the U.S.S.R. The Committee has, in particular, considered the alternatives on pages 20-20(f) of Doc.F.1., and has agreed to the following report upon its deliberations.
2. The Committee is in general agreement that the management of the Fund should consist of - (i) a Governing Body, which in this report is provisionally called the "Board of Governors", on which every member country would be represented; (ii) an executive body provisionally called "Executive Directors", of about 11 or 12 Directors. There would also be a Managing Director (or General Manager), responsible, among other things, for the internal organization and its staff, and the routine business of the Fund.

The Board of Governors

3. The Committee is in agreement that each member country should appoint one Governor. It is also agreed that it would be useful for alternates to be appointed by the member countries and that alternates should not vote except in the absence of the respective Governors. There is a division of opinion whether or not this implies that alternates should be present with their Governors and participate in all activities of the Board.
4. The Committee agrees that Governors and alternates should serve for five years, subject to the pleasure of the members appointing them, and that they should be eligible for re-appointment. It is also agreed that the Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Directors; that meetings of the Board shall be convened by the Executive Committee whenever requested either by member countries having 25 per cent of the aggregate votes or by a specified number of member countries; and that it shall not be necessary for annual meetings of the Board always to be held in the same place.
5. The Committee considers that all the powers of the Fund are vested in the Board of Governors, and that the Board should not be permitted to delegate any of the following functions:-
 - (i) power to invite non-signatory countries to become members;
 - (ii) approval of a revision of quotas (II(2));
 - (iii) approval of an agreed uniform change in the gold value of the currencies of members (IV(5));
 - (iv) expulsion of a member from the Fund;
 - (v) decisions on appeals from the Executive Directors about the interpretation of the Statute given on application by a member;

(vi) agreements for co-operation with other international organizations;

(vii) a decision to liquidate the Fund.

There is a difference of opinion whether the power to suspend a member from the facilities of the Fund under III(2)(d) could be delegated to the Executive Directors, and also whether an appeal by a member against a decision of the Executive Directors on a requested change of par values should lie to the Board of Governors. It is agreed that the conduct of all business of the Fund, other than that belonging, as above, to the Board of Governors, may be delegated by that Board.

Executive Directors

6. There is a difference of opinion in the Committee on the question whether or not Governors alone should be eligible for appointment as Executive Directors. One view is that the Executive Directors should be regarded as forming part of the Board of Governors, and that only Governors should therefore be eligible for appointment as Executive Directors. The other view is that member countries should be able to appoint as Executive Directors persons who are not Governors.

7. The Committee agrees that, say, five Executive Directors should be appointed by the five member countries having the largest quotas, and that, say, six other Directors should be elected biennially.

8. There is a difference of opinion in the Committee on a number of questions relating to the Executive Directors and to the need or desirability of requiring them to reside at the Headquarters of the Fund during the period of their appointment.

9. There is general agreement that the work of the Fund has important consequences for all member countries and that many of the decisions require great judgment and experience. It is therefore essential that men appointed to the Directorate shall be men of high standing and knowledge. There is also agreement that some of the important decisions to be taken by the Executive Directors will be urgent, and that countries may be damaged by delay.

10. From this general agreement two differing lines of thought have shown themselves. The first is that the decisions requiring the collective judgment of the Executive Directors will be so numerous and continuous that the conception of a full Directorate regularly in residence must be envisaged as a necessity of the Fund. Moreover, urgency requires the regular presence of a sufficient Directorate.

11. The alternative line of thought is that, after the initial period when admittedly there will be a heavy volume of work upon the Executive Directors, the work of the Fund will consist of regular matters which, though they are technically important, do not raise questions of general policy on which the collective view of the Executive Directors is required, together with important issues which cannot be decided except

on the considered judgment of the Directors as a whole, but will arise only intermittently.

12. If this second view is an accurate forecast of the development of the Fund, two consequences, it is suggested, would follow from a decision that the Directors should be whole-time persons resident at the Headquarters. Men of standing and experience would not be content to remain if they had not regular work of importance to perform, and the withdrawal of any Director on such grounds would obviously prejudice the standing of the Fund. Moreover, there is a risk that Executive Directors, however much knowledge they may have from their past contact with financial affairs, may lose touch with the current of the actual business and trends proceeding in the international markets, which must form the background of exchange dealings. As regards the difficulty of urgency, it is suggested that this can be met under modern conditions of transportation by a system of a quorum.

13. The Committee have to record a divergence of opinion on another matter affecting the provision of the Executive Directors. This concerns the relationship of the Directors, respectively to the Fund and to the country which appointed them.

14. There is general agreement that the aim is that Executive Directors should exercise a corporate responsibility to all the member countries. One view assumes that this can more certainly be achieved if the Directors, whether representing the countries with the largest quotas or elected by the other members, regard themselves, when elected, much as the Directors of a commercial organisation, i.e. representing the shareholders as a body, and not the sectional interest of any one country which they are expected to safeguard at the deliberations of their corporate body. The other view is that in practice it is assumed that each of the Executive Directors will be looking after the interests of his own country, or group of countries. This view requires that the method of election of those Directors who are elected shall be such as to make them truly representative of the quota strength and interests of those member countries who do not possess the right to nominate Directors. Further, it is felt that the only way to secure this is by proportionate voting on the lines proposed in (b) on pages 20(a) and 20(b) of Doc. F.1.

15. The Committee feel that they have no competence to make a recommendation on these questions of principle which are more appropriate for consideration by a wider Conference.

16. The Committee agrees that Governors, Directors and alternates should receive expenses and that Directors should receive salaries from the Fund.] 6

(Signed) W. Eady.

28th June, 1944.