INTERNATIONAL MONETARY FUND-RESOURCES

Bill provides - No change in U.S. quota without authorization of Congress.

SUBSCRIPTIONS (Quotas)

44 Member Countries - $8.8 Billions

See table on Quotas

⅘ vote required for change in quota. No change in its quota without consent of member.

Gold
$1.8 Bil.
U.S.- $687.5 Mil.
Others- $1,112.5 Mil.

Currencies of Member Countries
$7.0 Bil.
U.S. .... $2,062.5 Mil.
Others ..... 4,937.5 Mil.

Gold value of assets always constant.

Quotas

Millions of United States Dollars

Australia	200	Iran	25
Belgium	225	Iraq	8
Bolivia	10	Liberia	.5
Brazil	150	Luxembourg	10
Canada	300	Mexico	90
Chile	50	Netherlands	275
China	550	New Zealand	50
Colombia	50	Nicaragua	2
Costa Rica	5	Norway	50
Cuba	50	Panama	.5
Czechoslovakia	125	Paraguay	2
Dominican Rep.	5	Peru	25
Ecuador	5	Philippine Com.	15
Egypt	45	Poland	125
El Salvador	2.5	Union of S. Afr.	100
Ethiopia	6	U.S.S.R.	1,200
France	450	United Kingdom	1,300
Greece	40	United States	2,750
Guatemala	5	Uruguay	15
Haiti	5	Venezuela	15
Honduras	2.5	Yugoslavia	60
Iceland	1		
India	400		

GOLD DEPOSITORIES

40 %

Gold depositories in 4 other countries. Initially 40% of gold held in these 4 depositories.

Bank of England

Bank of France

State Bank U.S.S.R

Bank of China

50 %

FEDERAL RESERVE BANKS

Depository at principal office of Fund. Initially 50% of gold held in U.S.

10%

Other gold depositories selected by the fund.

CURRENCY DEPOSITORIES

FED. RESERVE BANKS

Depository for U.S. dollars held by Fund.

CENTRAL BANKS

Each Central Bank is Fund's depository for the Currency of that country held by Fund.

Non-negotiable, non-interest bearing notes payable on demand may be substituted for dollars which in the judgment of the Fund are not needed for current operations. Other countries may substitute same type of securities for their currencies under same circumstances.

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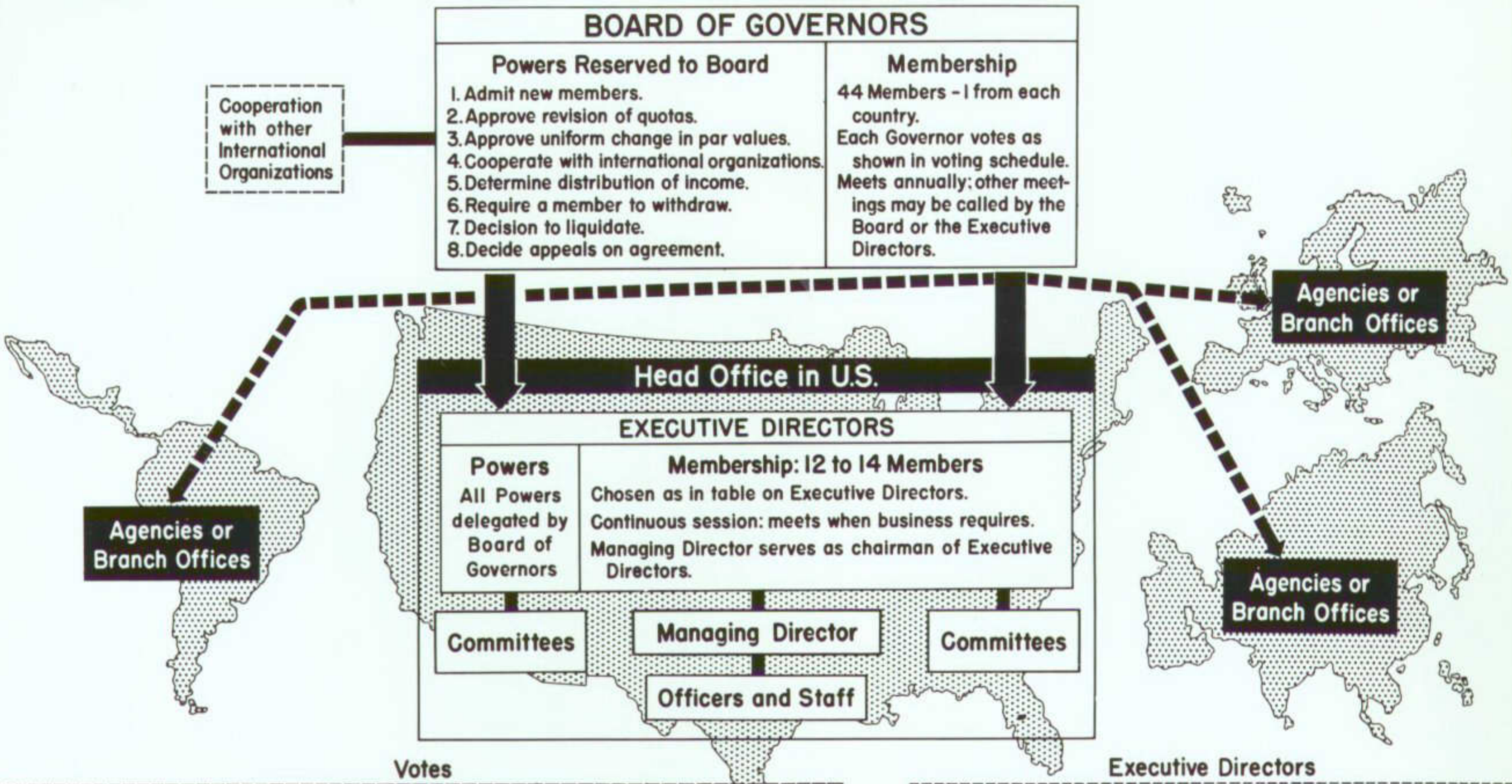
INTERNATIONAL MONETARY FUND–ORGANIZATION AND MANAGEMENT



Votes

Australia	2,250	Dominican Rep.	300	India	4,250	Paraguay	270
Belgium	2,500	Ecuador	300	Iran	500	Peru	500
Bolivia	350	Egypt	700	Iraq	330	Philippine Com.	400
Brazil	1,750	El Salvador	275	Liberia	255	Poland	1,500
Canada	3,250	Ethiopia	310	Luxembourg	350	Union of S. Afr.	1,250
Chile	750	France	4,750	Mexico	1,150	U.S.S.R.	12,250
China	5,750	Greece	650	Netherlands	3,000	United Kingdom	13,250
Colombia	750	Guatemala	300	New Zealand	750	United States	27,750
Costa Rica	300	Haiti	300	Nicaragua	270	Uruguay	400
Cuba	750	Honduras	275	Norway	750	Venezuela	400
Czechoslovakia	1,500	Iceland	260	Panama	255	Yugoslavia	850

Total 99,000

Executive Directors

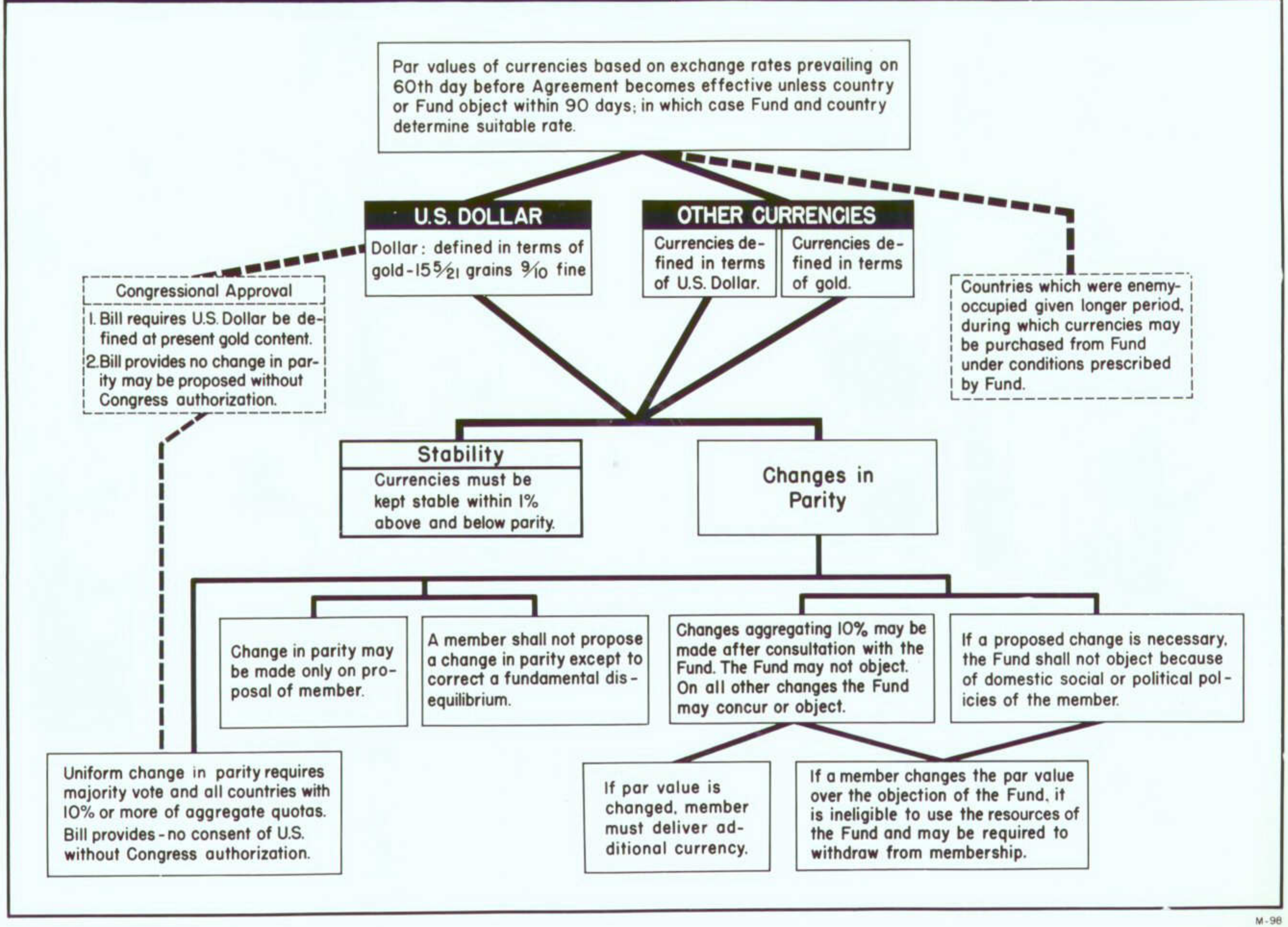
Each of the following countries names 1 Executive Director: U.S., U.K., U.S.S.R., China, France.

2 Executive Directors selected by American Republics on basis of proportional representation.

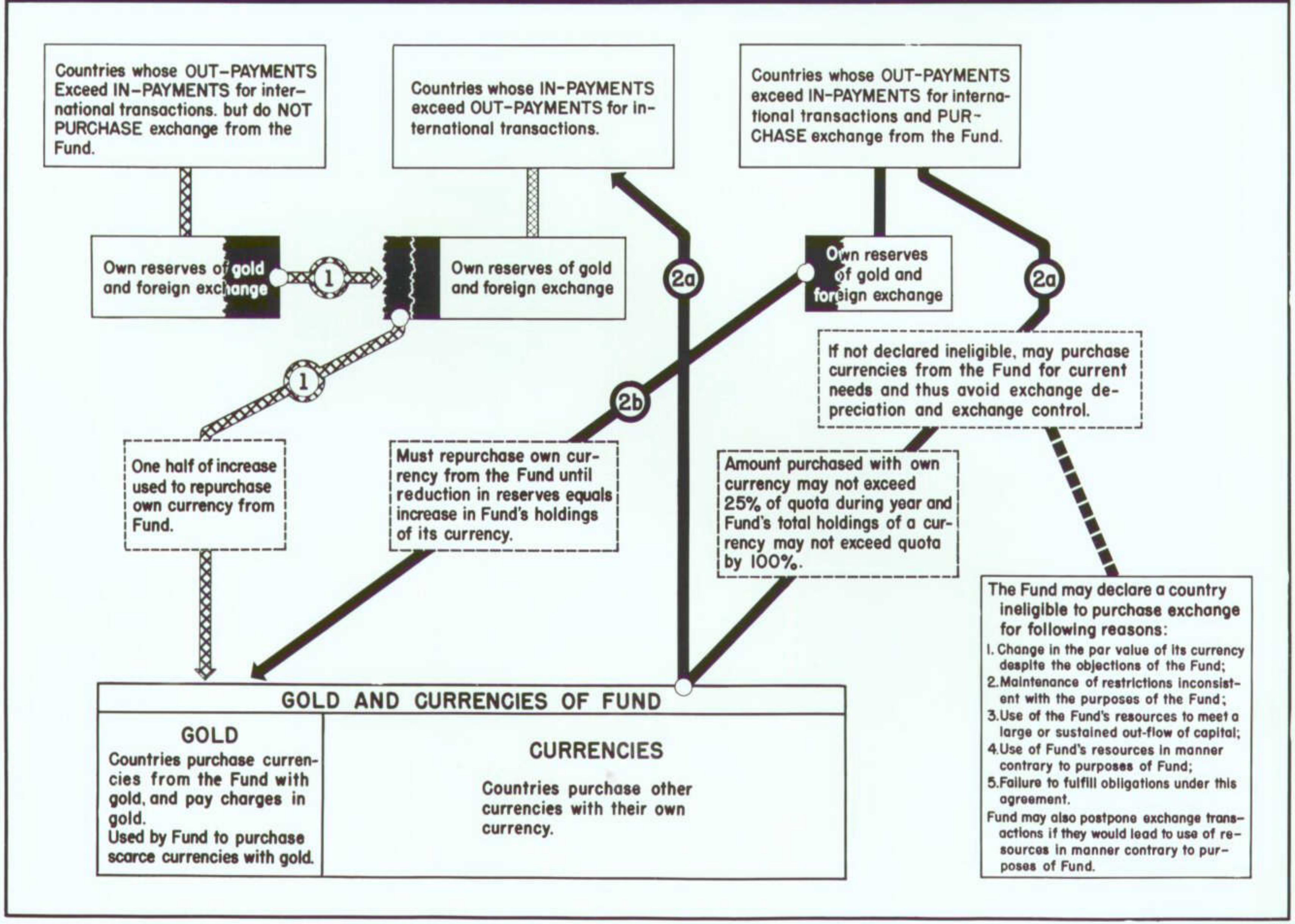
5 Executive Directors selected by all other countries on basis of proportional representation.

If not already included among the 5 Executive Directors by appointment, the 2 countries whose currencies have been reduced below their quotas by the largest amounts, are each entitled to appoint a director.

INTERNATIONAL MONETARY FUND-EXCHANGE STABILITY



INTERNATIONAL MONETARY FUND-OPERATIONS IN FOREIGN EXCHANGE



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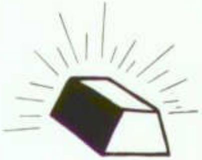
INTERNATIONAL MONETARY FUND-CHARGES BY THE FUND



All charges payable in gold. If monetary reserves of member are less than half its quota, charges are payable in gold in same proportion. Balance payable in currency.

1. Foreign exchange purchased from Fund with Member's Currency

¾ % of Amount

2. Foreign exchange purchased from Fund with Gold

Small Handling Charge

3. Additional charges payable by a country on Fund's holdings of its currency in excess of its quota (average daily balance)

At 4%, Fund and country must consider means of reducing Fund's holdings.

Failing agreement, on reaching 5% Fund may impose such charges as it deems appropriate.

Amount in excess of quota as % of quota*	Percent per annum on amounts in excess of quota							
	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year
0 - 25	After 3 Mos. ½	1	1½	2	2½	3	3½	4
25 - 50	1	1½	2	2½	3	3½	4	4½
50 - 75	1½	2	2½	3	3½	4	4½	5
75 - 100	2	2½	3	3½	4	4½	5	
	On additional amounts, the Fund may set such terms and conditions as it deems appropriate.							

**Provided increase does not exceed 25 percent of quota in any one year.*

Insert

B 18a 1943, Oct. 5 Statement of Secretary Morgenthau before the Senate Committees on Foreign Relations and Banking and Currency, and the Special Committee on Post-War Economic Policy and Planning (38-88). 4 p. mimeographed.

~~Statement~~ of Secretary Morgenthau before the Committees on Foreign Affairs and Banking and Currency / and Coinage, Weights and Measures of the House of Representatives. (38-89), 3 p. mimeographed. Same ~~text~~ as above save for 2 paragraphs omitted before penul-~~timate~~ paragraph. (Same documents

as listed under Fund Proposals
(F 35 and 36), but included here
as they also concern the Bank
proposal)

Explanation of Chart

International Monetary Fund

Resources

The Fund's resources amount to $8.8 billion representing the subscription of 44 countries on the basis of their quotas as shown in the table. A change in a quota may be made only by a 4/5 vote and with the consent of the country concerned. The Bill now pending provides that no change may be made in the subscription of the United States without authorization of Congress.

The subscriptions to the Fund are paid in gold and in the currencies of members. Gold subscriptions will amount to about $1.8 billion of which United States will subscribe $687.5 million and other countries about $1,100 million. The currency subscriptions will amount to about $7 billion of which the United States will subscribe $2,062.5 million and other countries about $4,900 million. All the currency holdings of the Fund are guaranteed against depreciation in terms of gold.

The Fund's gold assets will be held at gold depositories in the United States, the four other countries with appointed executive directors, and at other depositories selected by the Fund. Initially, at least 50 percent of the gold must be held in the United States, and 40 percent in England, France, the Soviet Union and China. Transfers of gold will be made by the Fund as needed on the basis of economy.

The currency holdings of the Fund are held in the central banks of each country which are the depositories of the Fund. The Fund's depository for dollars is the Federal Reserve. Non-negotiable, non-interest bearing notes payable on demand may be substituted for currency deposits to the extent that the deposits are not immediately needed in the opinion of the Fund.

Explanation of Chart

International Monetary Fund

Organization and Management

The Board of Governors has all the authority of the Fund. The Board consists of 44 members, one from each country. The Board meets annually and other meetings may be called as needed. Certain of the powers of the Fund are reserved to the Board and may not be delegated, including arrangements for cooperation with the International Bank, the Dumbarton Oaks council, and other international organizations.

The head office of the Fund will be in the United States. Agencies or branch offices may be established in other countries. At the head office, the Executive Directors, exercising all the powers delegated to them by the Board of Governors, will be constantly available for the business of the Fund. Under the Executive Directors, the day-to-day business of the Fund will be carried on by the Managing Director, the officers and staff, and committees appointed by the Executive Directors.

Provision is made for 12 to 14 Executive Directors. The United States, United Kingdom, U.S.S.R., China and France will each name one executive director. Two executive directors will be selected by the American Republics, and 5 others by all other countries on the basis of proportionate representation. If they do not already appoint one, the two countries whose currencies have been used by the Fund in the largest amounts will each appoint an executive director. The Managing Director serves as chairman of the Executive Directors.

Voting in the Board of Governors is primarily based on subscriptions. Each Governor has 250 votes plus 1 vote for each $100,000 of the subscription of his country. The United States has 28 percent of the votes, the British Commonwealth 25 percent, the Soviet Union 12 percent. The Executive Directors cast the votes of the countries that elected them. In all voting on the sale of exchange, votes are adjusted by increasing the vote of countries whose currencies the Fund has sold and decreasing the vote of countries whose currencies the Fund has purchased.

Explanation of Chart

International Monetary Fund

Exchange Stability

The Fund must establish an initial pattern of exchange rates in consultation with member countries. When the Fund is ready for operations it will request members to communicate to the Fund the par values of their currencies based on the prevailing exchange rates. The Fund or the country may object within 90 days if either of them regards the par value based on the prevailing exchange rates as unsuitable. In that case they must agree on a suitable rate. If they fail to agree the country is regarded as withdrawing from membership.

All currencies must be defined in terms of gold or the United States dollar of the present weight and fineness. The Bill before Congress requires that the United States dollar be defined at its present gold content.

Currencies must be kept stable within one percent above and below parity. Furthermore, countries must undertake not to change the parity of their currencies except after consultation with the Fund and nearly in all cases with its concurrence.

A change in parity may be made only on the proposal of a member country. A member shall not propose a change in parity except to correct a fundamental disequilibrium. Minor changes aggregating 10 percent may be made after consultation with the Fund. On all other changes the Fund may concur or object. If a change in parity is necessary to correct a fundamental disequilibrium, the Fund cannot object because of the domestic social or political policies of the country.

If the par value of a currency is changed, the member must deliver additional currency to the Fund until the gold value of the Fund's holdings remains unchanged. If a member changes the par value of its currency after the Fund has expressed its objection, it becomes ineligible to use the resources of the Fund and it may be required to withdraw from membership.

Provision is made for a uniform change in parity. This requires a majority vote including the vote of all countries with 10 percent or more of the total quotas. The Bill now pending provides that a uniform change in parities cannot be made without the authorization of Congress.

Table 14

Charges

The Fund, through the sale of needed foreign exchange, will help a member country to maintain stable and orderly exchange rates and freedom in exchange transactions. The amount of foreign exchange a country can buy from the Fund is limited, and the country must fulfill conditions which assure the Fund that its resources are being used only for the purposes for which the Fund was established. Furthermore, countries must use their own monetary reserves in equal amount, and they must repurchase their currency from the Fund when their monetary reserves increase.

To encourage a country to use its own monetary reserves and to use the Fund only as a supplementary source of foreign exchange - a second line of reserves - the Fund makes a charge on every sale of foreign exchange for a country's currency. A member purchasing currency from the Fund with its own currency must pay three-fourths percent of the amount purchased as a service charge. Where countries buy foreign exchange from the Fund in gold only a small handling charge is made.

The Fund levies additional charges on its holdings of currency in excess of a country's quota. These charges increase with the amount of currency held by the Fund and with the period during which the Fund holds such currency. When the charge in any year for any of the Fund's holdings reaches 4 percent, the Fund and the member must consider means of reducing the Fund's holdings. If they fail to reach agreement, the charge continues to rise to 5 percent at which time the Fund may impose such charges as it deems appropriate. These progressive charges will assure the revolving nature of the Fund's holdings.

On foreign exchange acquired by the Fund in any one year in excess of 25 percent of a country's quota or at any time in excess of 100 percent of its quota, the Fund may levy such charges and impose such terms and conditions as it deems appropriate.

All charges are payable in gold. If a member's monetary reserves are less than half its quota, the charges are then payable in gold in the same proportion that the gold holdings bear to 1/2 its quota, and the balance is payable in its currency.

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Explanation of Chart

International Monetary Fund

Operations in Foreign Exchange

Countries whose out-payments exceed their in-payments for industrial transactions must use reserves of foreign exchange to prevent depreciation of their currency. The method by which a member of the Fund that does not purchase exchange from the Fund meets its obligations to another member country is shown as Transaction 1. The country draws on its own reserves of foreign exchange to make payments for its international transactions. These countries in turn must use one-half of their increase in gold or foreign exchange to repurchase their own currency from the Fund.

Some countries whose out-payments exceed their in-payments for international transactions will purchase the exchange they need from the Fund in order to avoid exchange depreciation and exchange control. If such countries have not been declared ineligible by the Fund for the reasons shown on the chart, they will be able to purchase the needed exchange from the Fund. The amount purchased may not exceed 25 percent of the quota of the country in any 12-month period nor may the Fund's total holdings of the currency exceed the quota by 100 percent.

Transaction 2-(a) shows the country using its own currency to purchase another currency from the Fund which is then used to make payments to the other country. Simultaneously, a country using the Fund must use its own reserves of gold and foreign exchange in an equal amount. If it had not used its own reserves to that extent, it must repurchase its own currency from the Fund until the reduction in reserves equals the increase in the Fund's holdings as shown in Transaction 2-(b).

It will be noted that the Fund's holdings of gold and currency are increased when currencies are purchased from the Fund with gold and when charges are paid in gold. The Fund's holdings of gold are decreased when the Fund uses gold to purchase scarce currencies. The Fund's holdings change from one currency to another currency when countries purchase foreign exchange with their own currency. All of the Fund's holdings of currency are guaranteed against exchange depreciation in terms of gold.