



# WORLD FUND and BANK Inaugural Meeting



March 16, 1946

REPORT OF THE COMMITTEE ON BY-LAWS TO THE BOARD OF GOVERNORS  
OF THE INTERNATIONAL MONETARY FUND

Reporting Delegate: Baron René Boel, Belgium

Mr. Chairman:

I have the honor of reporting to the Board of Governors of the Fund on the work and conclusions of the Committee on By-Laws set up by the Board of Governors at the plenary session on March 11, 1946.

The Committee on By-Laws held three meetings under the distinguished chairmanship of the Honorable R. H. Brand, alternate Governor representing the United Kingdom. The first meeting was held on March 13, at 10.00 a.m., the second on March 15, at 10.30 a.m., and the third on March 16, at 3 p.m.

At the first meeting, a draft of suggested by-laws of the Fund was circulated to the members. A drafting subcommittee was appointed, to which each delegation was invited to submit amendments to the suggested by-laws in writing before noon on March 14th. A copy of the amendments submitted to the drafting subcommittee is included in the report of the subcommittee.

In the course of detailed discussion of the individual by-laws at the meetings of the Committee, numerous amendments were suggested, which were either considered by the drafting Committee or referred to special subcommittees.

In connection with Section 12, the report of the Agenda Committee on March 11, as approved by the Board of Governors, was considered. This report recommended that Article XII, Section 2(a) of the Articles of Agreement of the Fund be interpreted in such a way that a member may make provision for the designation of a temporary alternate to vote for the Governor at any Board session at which the regularly designated alternate is unable to be present. This interpretation was incorporated in Section 12 as submitted. The By-Laws Committee took, at the same time, due notice of the interpretation given by the Board of Governors on March 11, following the report of the Agenda Committee, that a Governor or his alternate may designate any other member of his delegation to speak for him at any Board session.

The question

The question of expenses of Governors referred to in Section 14 was discussed by the Committee, and a subcommittee, identical in membership with the Committee on Functions and Remuneration, was appointed to consider the per diem rate and the question of whether the expenses of personal secretaries or advisers should be paid by the Fund. The draft submitted by that subcommittee and referred to the drafting subcommittee was accepted and incorporated in Section 14 as accepted by the By-Laws Committee.

The Committee then discussed Section 15 relating to the delegation of authority to the Executive Directors. A subcommittee was appointed to consider the specific provisions in the Articles of Agreement reserving powers to the Board of Governors and the question of whether the by-law should state that the Board of Governors may at any time reassume powers delegated to the Executive Directors. The members of this subcommittee were the United Kingdom, France, the Netherlands and the United States. Mr. Rowe-Dutton acted as Chairman of this subcommittee.

The subcommittee considered this question and recommended that Section 15 should be approved, with the addition of a sentence stating that the Executive Directors should not take any action pursuant to powers delegated to the Board of Governors which is inconsistent with any action taken by the Board. It considered at the same time a list which had been prepared of all the powers of the Board of Governors which under the Articles of Agreement of the International Monetary Fund cannot be delegated to the Executive Directors, but stated that this list could not pretend to be exhaustive. It therefore recommended that no attempt should be made to include such a list in the by-laws but recommended that the list (which is annexed) should be included in this Report for purpose of record.

Section 20 of the suggested by-laws, which relates to the officers of the Fund, was discussed by the Committee. The Committee was of the opinion that this section should be omitted, since Article XII, Section 4(b) of the Articles of Agreement states that the Managing Director, subject to the general control of the Executive Directors, shall be responsible for the organization of the staff of the Fund. The adoption of a by-law on officers of the Fund would appear to limit the power of the Executive Directors to determine what officers the Fund should have.

Section 21 of the suggested by-laws on audits was discussed by the Committee. It was agreed that the suggested by-law should not be interpreted as providing for an audit by an independent firm. The suggestion was made by the representative of Norway that there should be a permanent audit committee of Governors, but the Committee was of the opinion that there was no need of appointing such a committee at the outset. The representative of Norway agreed to withdraw his suggestion provided it was understood that at its next annual meeting the Board of Governors would examine the audit procedure as outlined and determine whether or not it was satisfactory.

In the course of the discussion, it developed that it was the consensus of opinion that audits made by the Fund should be performed by members of the staff other than those responsible for the administrative expenses of the Fund--such to be submitted to the Board of Governors through the Executive Directors.

The Committee

The Committee on Functions and Remuneration agreed on recommendations regarding the salary and expenses and contract of service of the Managing Director and the remuneration of Executive Directors and alternates. In accordance with the recommendation of the Committee on Functions and Remuneration, the substance of the report of the Committee on Functions and Remuneration is included in the report of the drafting subcommittee of the By-Laws Committee under Section 14.

The report of the drafting subcommittee was submitted to and approved as amended by the Committee on By-Laws on March 16. A copy of the By-Laws as approved by the Committee on By-Laws is attached.

The Committee on By-Laws recommends, therefore, the adoption of the attached By-Laws of the International Monetary Fund by the Board of Governors.

BY-LAWS OF THE INTERNATIONAL MONETARY FUND  
AS APPROVED BY THE BY-LAWS  
COMMITTEE

These By-Laws are adopted under the authority of, and are intended to be complementary to, the Articles of Agreement of the International Monetary Fund; and they shall be construed accordingly. In the event of a conflict between anything in these By-Laws and any provision or requirement of the Articles of Agreement, the Articles of Agreement shall prevail.

Sec. 1. Places of Business

The principal office of the Fund shall be located within the Metropolitan area of Washington, D. C., United States of America.

The Executive Directors may establish and maintain agencies or branch offices at any place in the territories of other members, whenever it is necessary to do so in order to facilitate the efficient conduct of the business of the Fund.

Sec. 2. Bank Represented

The Executive Directors are authorized to invite the International Bank for Reconstruction and Development to send a representative of the Bank to meetings of the Board of Governors and Executive Directors who may participate in such meetings, but shall have no vote.

The Executive Directors are authorized to accept invitations from the Bank to send a representative of the Fund to participate in meetings of the Board of Governors or Executive Directors of the Bank.

Sec. 3. Notice of Meetings

The Managing Director shall notify all members of any meeting of the Board of Governors.

Notice shall be sent to members by telegram or cable not less than six weeks prior to the date of any meeting, except that in urgent cases this period may be shortened to not less than 10 days.

#### Sec. 4. Board Meetings at Members' Request

Special meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power. Whenever any member requests the Executive Directors to call a special meeting of the Board, the Managing Director shall notify all members of the request together with the reasons assigned for such request.

#### Sec. 5. Attendance of Executive Directors

The Executive Directors may attend all meetings of the Board of Governors and may participate in such meetings but an Executive Director shall not be entitled to vote unless he is also a Governor or an Alternate or is designated as a temporary alternate.

#### Sec. 6. Agenda of Board Meetings

The agenda for the meetings of the Board of Governors shall be prepared under the direction of the Executive Directors by the Managing Director and shall be transmitted simultaneously with the notice to the members required to be sent pursuant to Section 3.

Additional subjects may be placed upon the agenda by any governor or under special circumstances by the Managing Director at the direction of the Executive Directors provided notice thereof shall have been given to the Fund in writing not less than 7 days prior to the date of the meeting. The Managing Director shall inform the members of any such additions to the agenda as soon as possible. The Board may authorize the placing of any matter upon the agenda even though the required notice shall not have been given.

#### Sec. 7. Election of Chairman and Vice Chairman

At each annual meeting the Board of Governors shall select a Governor to act as Chairman and at least two other Governors to act as Vice Chairmen until the next annual meeting.

In the absence of the Chairman the Vice Chairman designated by the Chairman shall act in his place.

#### Sec. 8. Secretary

The Secretary of the Fund shall serve as Secretary of the Board of Governors.

#### Sec. 9. Minutes

The Board shall keep a summary record of its proceedings which shall be available to all members and which shall be filed with the Executive Directors for their guidance.

#### Sec. 10. Report of Executive Directors

The Executive Directors shall have prepared for presentation at the annual meeting of the Board of Governors

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an annual report in which shall be discussed the operations and policies of the Fund and which shall make recommendations to the Board of Governors on the problems confronting the Fund.

#### Sec. 11. Voting

Except as otherwise specifically provided in the Articles of Agreement, all decisions of the Board shall be made by a majority of the votes cast. At any meeting the Chairman may ascertain the sense of the meeting in lieu of a formal vote but he shall require a formal vote upon the request of any governor. Whenever a formal vote is required the written text of the motion shall be distributed to the voting members.

#### Sec. 12. Proxies

No Governor or Alternate may vote at any meeting by proxy or by any other method than in person, but a member may make provision for the designation of a temporary alternate to vote for the Governor at any Board session at which the regularly designated alternate is unable to be present.

#### Sec. 13. Voting Without Meeting

Whenever, in the judgment of the Executive Directors, any action by the Fund must be taken by the Board of Governors which should not be postponed until the next regular meeting of the Board and does not warrant the calling of a special meeting of the Board, the Executive Directors shall present to each member by any rapid means of communication a motion embodying the proposed action with a request for a vote by its governor. Votes shall be cast during such period as the Executive Directors may prescribe, provided that no Governor shall vote on any such motion until 7 days after despatch of the motion, unless he is notified that the Executive Directors have waived this requirement. At the expiration of the period prescribed for voting, the Executive Directors shall record the results and the Managing Director shall notify all members. If the replies received do not include a majority of the Governors exercising two-thirds of the total voting power, the motion shall be considered lost.

#### Sec. 14. Terms of Service

(a) Governors and Alternates shall receive their actual transport expenses to and from the place of meeting in attending meetings, and \$50 for each night which attendance at such meetings requires them to spend away from their normal place of residence, this amount being reduced to \$10 for each night when accommodation is included in the price of transportation.

(b) Pending the necessary action being taken by members to exempt from national taxation salaries and allowances paid out of the budget of the Fund, the Governors and the Executive Directors, and their Alternates, the Managing Director and the staff members shall be reimbursed by the Fund for the taxes which they are required to pay on such salaries and allowances.

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In computing the amount of tax adjustment to be made with respect to any individual, it shall be presumed for the purposes of the computation that the income received from the Fund is his total income. All salary scales and expense allowances prescribed by this section are stated as net on the above basis.

(c) The salary of the Managing Director shall be \$30,000 per annum. The Fund shall also pay any reasonable expenses incurred by the Managing Director in the interest of the Fund (including travel and transportation expenses for himself, and expenses for his family, and his personal effects in moving once to the seat of the Fund during or immediately before his term of office and in moving once from the seat during or immediately after his term of office). The term of contract of the Managing Director shall be five years.

(d) It shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Fund that its interests require, and, between them, to be continuously available at the principal office of the Fund.

(e) The maximum salary and expense allowance including housing, entertainment and all other expenses except those specified in subsection (f) shall be \$17,000 for Executive Directors and \$11,500 for Alternates. It will be the duty of each Executive Director and each Alternate to state how much of these amounts he intends to draw whether as salary or as expense allowance.

(f) The Executive Directors and their Alternates are to be reimbursed, in addition, for all reasonable expenses incurred during absence from the seat of the Fund while on the designated service of the Fund. They shall also be reimbursed for travel and transportation expenses for themselves, their families, and their personal effects in moving once to the seat of the Fund during or immediately before their terms of office and in moving once from the seat during or immediately after their terms of office.

(g) Where not specified, it is assumed that the Director and Alternate will be a full time Director and Alternate. Where it is intended that he shall not devote his full time, it shall be so indicated. Where an Executive Director or Alternate indicates that he intends to devote only part of his time to the Fund, his remuneration shall be pro-rated on the basis of a representation by him of the proportion of his time he has devoted to the interest of the Fund. He may make such representation each month.

(h) Where an individual is serving both Fund and Bank, the aggregate of salary received from both shall not exceed the full annual single salary indicated above.

In all cases of salaries or expenses involving dual offices in the Fund or Bank, or both, the individual affected is entitled to take his choice as to which salary or expense he elects, but he shall not be entitled to both.

(i) An individual putting forward a claim for reimbursement for any expenses incurred by him shall include therewith a representation that he has not received and will not claim reimbursement in respect to those expenses from any other source.

(j) Secretarial,



(j) Secretarial, staff services, office space, and other services incidental to the performance of the duties of the Executive Directors and Alternates shall be provided.

#### Sec. 15. Delegation of Authority

The Executive Directors are authorized by the Board of Governors to exercise all the powers of the Fund except those reserved to the Board by Article XII, Section 2(b) and other provisions of the Articles of Agreement. The Executive Directors shall not take any action pursuant to powers delegated by the Board of Governors which is inconsistent with any action taken by the Board.

#### Sec. 16. Rules and Regulations

The Executive Directors are authorized by the Board of Governors to adopt such rules and regulations, including financial regulations, as may be necessary or appropriate to conduct the business of the Fund. Any rules and regulations so adopted, and any amendments thereof, shall be subject to review by the Board of Governors at their next annual meeting.

#### Sec. 17. Vacant Directorships

Whenever a new Director must be elected because of a vacancy requiring an election, the Managing Director shall notify the members who elected the former Director of the existence of the vacancy. He may convene a meeting of the Governors of such countries exclusively for the purpose of electing a new Director; or he may request nominations by mail or telegraph and conduct ballots by mail or telegraph. Successive ballots shall be cast until one candidate has a majority; and after each ballot, the candidate with the smallest number of votes shall be dropped from the next ballot.

When a new elective director is named, the office of alternate shall be deemed to be vacant and an alternate shall be named by the newly-elected director.

#### Sec. 18. Additional Directors

At least one month before the second and subsequent regular elections of directors, the Managing Director shall notify all members of the two members whose currencies held by the Fund have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts. He shall state whether either or both are entitled to appoint a director in accordance with Article XII, Section 3(c) of the Articles of Agreement.

When a member becomes entitled to appoint a director in accordance with Article XII, Section 3(b) (1) and 3(c) of the Articles of Agreement, it shall not participate in the election of any director.

#### Sec. 19. Representation of Members Not Entitled to Appoint a Director

Whenever the Executive Directors are to consider a request made by, or a matter particularly affecting a member not entitled to appoint a director, the member shall be promptly informed in writing of the date set for its consideration.

No final action shall be taken by the Executive Directors, nor any question affecting the member submitted to the Board of Governors, until the member has been offered a reasonable opportunity to present its views and to be heard at a meeting of the Executive Directors, of which the member has had reasonable notice. Any member, so electing, may waive this provision.

#### Sec. 20. Budget and Audits

The Executive Directors shall instruct the Managing Director to prepare an annual administrative budget to be presented to them for approval. The budget so approved shall be incorporated in the annual report to be presented to the Board of Governors at their annual meeting.

The Executive Directors shall have an audit of the accounts of the Fund made at least once each year and on the basis of this audit shall submit a balance sheet and a statement of operations of the Fund to the Board of Governors to be considered by them at their annual meeting.

#### Sec. 21. Applications for Membership

Subject to any special provisions that may be made for countries listed in Schedule A of the Articles of Agreement, any country may apply for membership in the Fund by filing with the Fund an application setting forth all relevant facts.

When submitting an application to the Board of Governors, the Executive Directors after consultation with the applicant country shall recommend to the Board the amount of the quota, the form of payment, the parity of the currency, conditions regarding exchange restrictions, and such other conditions as, in the opinion of the Executive Directors, the Board of Governors may wish to prescribe.

#### Sec. 22. Compulsory Withdrawal

Before any member is required to withdraw from membership in the Fund, the matter shall be considered by the Executive Directors who shall inform the member in reasonable time of the complaint against it and allow the member an adequate opportunity for stating its case both orally and in writing. The Executive Directors shall recommend to the Board of Governors the action they deem appropriate. The member shall be informed of the recommendation and the date on which its case will be considered by the Board and shall be given a reasonable time within which to present its case to the Board both orally and in writing. Any member so electing may waive this provision.

#### Sec. 23. Settlement of Disagreements

The President of the International Court of Justice is prescribed as the authority to appoint an umpire whenever there arises a disagreement of the type referred to in Article XVIII(c) of the Articles of Agreement.