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TREASURY DEPARTMENT
Washington

Summary of the Principal Provisions of the Revised Draft of the Proposal for An International Stabilization Fund

I. Purposes of the Fund

The United Nations and the countries associated with them recognize, as declared in the Atlantic Charter, the need for the fullest cooperation among nations with the object of securing economic advancement and rising standards of living for all. They believe that attainment of these objectives will be facilitated by international monetary cooperation. Therefore, it is proposed that there be established an International Stabilization Fund with the following purposes:

1. To help stabilize the foreign exchange rates of the currencies of member countries.

2. To reduce the use of such foreign exchange restrictions and discriminatory foreign exchange practices as hamper world trade.

3. To help create conditions under which the smooth flow of foreign trade and of productive capital will be fostered.

II. Composition of the Fund

1. The Fund shall amount to at least $5 billion contributed on the basis of quotas determined by an appropriate formula. The quota of a country cannot be increased without its consent.

2. Each country shall pay in gold 50 percent of its quota and the remainder in local currency. A country with inadequate gold holdings may have its gold contribution reduced and a country may substitute some government securities (redeemable at par) for local currency.

3. The resources of the Fund shall be used exclusively for the benefit of the member countries.

III. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the unitas (U̶N̶) equal in value to 137-1/7 grains of fine gold (equivalent to $10). No change in the gold value of the unitas shall be made except with the approval of 85 percent of the member votes.

2. The accounts of the Fund shall be kept and published in terms of unitas. No change in exchange rates shall be permitted to alter the value of the assets of the Fund.

IV. Exchange Rates

1. Initial rates of exchange for member currencies shall be based upon their value in dollars on July 1, 1943. If such a rate is clearly inappropriate, the initial rate shall be determined by consultation between the country and the Fund.

2. When essential to the correction of fundamental disequilibrium, exchange rates may be changed only with the approval of three-fourths of the member votes including the countries concerned. Because of the extreme uncertainties of the immediate postwar period, special provision is made for adjusting exchange rates during the first three years.

V. Powers and Operations

1. The Fund may sell to any member country foreign exchange required to meet an adverse balance of payments predominantly on current account. One-half of such exchange shall be paid for with gold or acceptable foreign exchange.

2. The Fund's total holdings of the currency of any member country shall not exceed its quota by more than 100 percent, except with the specific approval of the Board of Directors, and provided satisfactory measures are being taken to correct the disequilibrium.

3. When a member country is preventing or unduly delaying a sound balance in its international accounts, the Fund may place conditions upon additional sales of foreign exchange to that country. The Fund may also require the country to deposit gold or other suitable collateral.

4. When the Fund's holdings of the currency of a member country become excessively small, the Fund shall render a report to that country. The Fund shall also inform member countries of the probable supply of the currency and of a proposed method for its equitable distribution.

5. Each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign exchange which it needs, one-half of the gold and foreign exchange it acquires in excess of its official holdings at the time it became a member of the Fund.

6. During the first 2 years, the Fund may buy from the governments of member countries, blocked balances held in other member countries, not exceeding in the aggregate 10 percent of the quotas. At the end of 2 years, the Fund shall propose a plan for the gradual further liquidation of blocked balances.

7. The Fund may levy a charge on the amount of currency held by the Fund in excess of the quota of a country. If the Fund finds it necessary to borrow currency to meet the demands of members, an additional charge shall be made sufficient to cover the costs of borrowing.

8. The Fund shall deal only with member governments and their fiscal agents and not intrude in the customary channels for conducting international commerce and finance.

VI. Management

1. The administration of the Fund shall be vested in a Board of Directors consisting of one director and alternate appointed by each member government. The Board shall appoint an Executive Committee of not less than eleven of its members.

2. Each country shall have 100 votes plus one vote for each million dollars of its quota. No country shall cast more than one-fifth of the aggregate basic votes.

3. In voting on the sale of foreign exchange, the votes of creditor countries shall be increased and those of debtor countries decreased. In voting on proposals to suspend or restore members, each country shall cast one vote.

4. Any country may withdraw from the Fund by giving notice of 1 year. A country failing to meet its obligations to the Fund may be suspended by a majority of the member countries.

VII. Policies of Member Countries

Each member country of the Fund undertakes:

1. To maintain by appropriate action exchange rates established by the Fund and not to alter exchange rates except as provided above.

2. To abandon restrictions (except on capital transfers) over foreign exchange transactions with other member countries, and not to impose additional restrictions without the approval of the Fund.

3. Not to enter upon any new bilateral clearing arrangements or engage in multiple currency practices which retard the growth of world trade or the international flow of productive capital.

4. To give consideration to the views of the Fund on any monetary or economic policy, the effect of which would be to bring about a serious disequilibrium in the balance of payments of other countries.

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